

Take Back Control by Setting Limit Orders Like a Pro

By Luke Lango

In today's market, up to 80% of all trades made in the U.S. are done by an algorithm. I won't bore you with the specifics, but what this means is that once predetermined market conditions are met, the algos kick in and it's off to the races. It's all terribly fast. And as the pace of the market accelerates, there's one simple thing you can do to maximize your gains and minimize your losses – use limit orders.

Limit orders are vital for one simple reason: control. The more control one has, the more they can maneuver themselves into positions of power (and maneuver *out* of positions of weakness).

Whether it's growth or value, investors seek outperformance. They want to buy low and sell high. Limit orders help you accomplish this. This is doubly true when it comes to small-cap stocks, which can be extremely volatile and quickly accelerate out of buy range.

I've [talked before about the difference between making an “average” 7% per year](#) on your investments and making an above average 29.2% per year. To become an above-average investor, you can't be a “chaser.” Above-average investors are like hunters. They lie in wait for their stock. They know the price they are willing to pay. And they “set traps” to capture the stock the moment it sets foot in this territory. They are 100% in control.

If you're not content to be average... if you want to boost your performance into above-average territory... then you need to gain control by using limit orders.

This Is How You Buy Early-Stage Companies Like a Pro

As a buyer, you have a number of options available to you. Two of those options include buying at the current price the stock is trading at (also called a “market order”) or buying at a specified price of your choosing. The latter is called a limit order, which is an agreement to buy or sell a stock at the price you set, or at a better price.

For buy limit orders, your purchase will only go through when the stock price reaches the limit order price, or if it reaches a *lower* price than what you've set. Sell

limit orders work in much the same way, triggering a sell at the specified price or at a *higher* price.

Unlike their large-cap brethren, smaller companies typically lack liquidity. This means they have fewer shares that trade on the open market. When that is the case, the stock's price can swing violently if the buy and sell orders dominate the stock's float.

It's simple supply and demand. The price goes up when investors are buying. But with limit orders, your order *only* goes through if the stock price reaches the level instructed by you, the buyer (or seller). If the stock doesn't hit your set limit, then the order is not filled.

You can even set limit orders to expire at a certain time, or to remain in effect until it eventually reaches that price.

It's rare to have that sort of control in the stock market, and you should take it where you can get it. When you use a market order, however, you give up that control.

A market order is an order that instructs the broker to buy a stock at the current market price. Depending on the stock volatility and volume, that price may be different from when you first hit "buy" and when the order is filled. And it's far from ideal when looking to buy growth stocks at levels that match your risk profile.

Why? Because there's an unseen mechanism behind every single trade. Behind the scenes, there are players who are of extreme consequence to the amount you pay when you buy a stock. They are "market makers," or specialists who facilitate transactions between buyers and sellers. As people place orders on stocks, market makers see the increased number of buy orders and mark the price up.

This is where the necessity of control comes in. By taking control at the moment of purchase, you can protect yourself from volatile price action. The way we protect ourselves? Limit orders.

Take Back Control With Limit Orders

The best way to understand how limit orders work is to see it in action.

So let's say you've had your eye on ABC stock. You know from looking at the real-time stock chart that ABC is trading for \$40.23 per share. If you decided to use a market order and pull the trigger at that price, then your order *may* be filled at \$40.23 ... or it could trade up to \$40.40 while you're entering the trade, and thus that is where the order will execute.

Now, say you don't want to buy the stock at \$40.23, because your due diligence tells you ABC stock has a floor around \$40 per share. You could watch the stock

chart like a hawk, hoping to execute your timing perfectly and enter into a position at \$40 ... or you could use a limit order, which gives you control over the price you will pay for a stock. This is especially important in stocks with lower levels of liquidity.

A limit order can prevent market makers – who, upon seeing the market order that essentially says, “I’ll pay whatever price” – from jacking up the stock price on overeager investors.

Instead of paying “whatever price,” I prefer to see investors use limit orders, especially when seeking to maximize their outperformance with small-cap stocks.

That said, using limit orders is not without challenges. A complete education on the subject will prepare you to face these challenges with the mindset of a professional. And to think like a professional, you must understand the way amateur investors think.

On the one hand, a major hallmark of the amateur is impatience – they want to be instantly gratified. They want to buy their stocks *now* and want to make 10X their investment *now*.

The professional investor, on the other hand, patiently sets sensible limit prices. They understand that it can take time – a lot of time – to accumulate a stock position at a good price. Let’s dive into a full-fledged example that illustrates the appeal of the limit order:

Let’s say Mark and Lori are both eyeing shares of thinly traded stock, XYZ. At the moment, XYZ stock trades at \$9.23 per share. Both Mark and Lori want to own 1,000 shares.

While Mark is aware of limit orders, his impatience gets the best of him and he puts in a market order for XYZ stock. Remember, this communicates to the market makers that Mark is willing to pay “whatever price” for the stock. So the Wall Street market makers put Mark’s trade through when the price hits \$9.59. While Mark was able to buy his stock immediately, he paid an extra 36 cents per share, or roughly 4% more, for the “luxury.”

Meanwhile, Lori knows that to get the most out of her trade, patience is key. She enters a limit order to buy XYZ stock at \$9.17, setting the order to expire upon cancellation. On the first day, XYZ stock keeps going higher, to \$9.59, and her order is not filled. On the second day, the stock trades down to \$9.21, and her order isn’t filled. Finally, on the third day, XYZ stock trades down to \$9.17 and Lori’s order is executed. While Lori did not get her shares instantly like Mark did, she paid 42 cents less per share.

Mark's overzealousness led to him acquiring 1,000 shares for \$9,590, while Lori's patience allowed her to buy the same amount of stock for \$9,170, or 4.4% less than Mark paid.

Yes, that's an oversimplification of how things work, and oftentimes it can require even more patience to make the trade you want. In some instances, the stock may never hit the limit order you set. When this happens, you must learn to pivot and set a new limit order, increasing it in a stair-step fashion, e.g. from \$9.17 to \$9.20 to \$9.23, until your order is filled.

As illustrated in the example above, using limit orders can save you hundreds of dollars *per trade*. Over an entire career, it can save *thousands* of dollars.

By using limit orders, we specify the maximum we are willing to pay for a stock we are buying, and we specify the minimum we are willing to take for a stock we are selling. That way, we buy or sell on our terms and not somebody else's.

These are easy to set with your broker, and they are especially important when it comes to lower-priced stocks. For example, if a stock is trading for \$2.75 and a flurry of buy orders runs it up to \$3 or higher, that's already a 10% difference, which is the market's average gain for an entire year.

To make 10X on a stock over the long-term, we need to be flexible with pricing and realize that some fluctuations are inevitable. But we should never pay more for a stock than we need to.

In addition, not overpaying is smart risk management. We know that not every stock is going to work out for us and getting in at a good price limits the downside risk on the ones that don't.

If you are interested in a stock I write about in *The Daily 10X*, here's my strong advice: Don't pay a penny more than 3% above the stock's current price. Buy small companies like a pro and use strict limit prices. Don't buy small stocks like an amateur and pay "whatever" price by using a market order.

How to Make a Fortune With the "Buy What You Know" Strategy

By Luke Lango

Talk to most any financial advisor, and they'll say you'd do well to grow your stock portfolio at 7% per year.

After all, 7% per year is what stocks have returned on average over the past 100 years.

But is "average" good enough for you?

How'd you like to make "above average" returns, put your portfolio growth on overdrive, and reach your financial goals a lot sooner than most people?

How'd you like to earn not 7% per year... not 18% per year... but an incredible 29.2% per year?

Peter Lynch can show you how to do that.

Peter Lynch is one of the greatest investors in history. As manager of the Fidelity Magellan mutual fund, Lynch rang up an incredible 29.2% average annual return over the 13-year span from 1977 through 1990.

Making 29.2% per year can turn a modest amount of retirement savings into a huge nest egg.

If you start with \$50,000 and make 29.2% per year for 13 years, you end up with \$1.39 million.

Fortunately, Lynch is as good at teaching as he is at investing. Lynch has written several outstanding books that can help anyone become a much better investor. His book *One Up on Wall Street* is one of the best investment books of all time.

We're doubly fortunate in that Lynch's methods are easy to learn and understand. They're easy to put into practice. *They're also a heck of a lot of fun to use.*

Incredibly profitable... easy to understand... and fun?

It sounds too good to be true.

But it's not.

In this essay, I'll show you how to apply Lynch's brilliant approach to investing... and put your portfolio growth on overdrive. After learning this technique - which I

call the “Buy What You Know” strategy – you’ll probably never want to go back to regular investing again.

There’s “Invisible Money” Floating Around You Every Day

Do you remember the “money booths” that game shows used back in the day?

You know, a closet-sized booth with clear walls and a clear door. They’d place someone in the booth and throw a bunch of \$100 bills in there, and then a fan would make the money fly around. The person had a set time to grab as much money as they could.



I bring up this “blast-from-game-shows-past” because once you learn Lynch’s method, you might feel like you’re in a “money booth” all the time.

You’ll begin to see the world in a whole new light... *one that can turn you into a moneymaking machine.*

Most people don’t realize it, but there are incredible moneymaking opportunities right in front of your face every day.

Living in America, you're essentially in a "money booth" with millions of dollars blowing around you all the time.

This money is within your reach when you go to the grocery store... when you go shopping... when you go out to eat... when you go to the doctor... when you go online... when you travel... when you take your kids to school... etc.

It's everywhere.

However, most people aren't trained to see this money.

They aren't trained to grab it.

After all, most families don't discuss money at home. Schools don't teach it. That's a shame, because Peter Lynch's secret for making money in stocks can transform your life for the better.

Here the secret...

For almost every quality product or service you buy in the course of everyday life, there is probably a company that can make you millions as an investor.

From groceries to gadgets... from coffee to clothes... from Netflix to Nike...
America's greatest business successes produce America's greatest stock winners.

You don't need an MBA to spot these winners. You don't need to be a technology expert. And you don't need the "help" of a high-priced financial advisor.

You just need to keep your eyes open to the opportunities around you in everyday life.

For example...

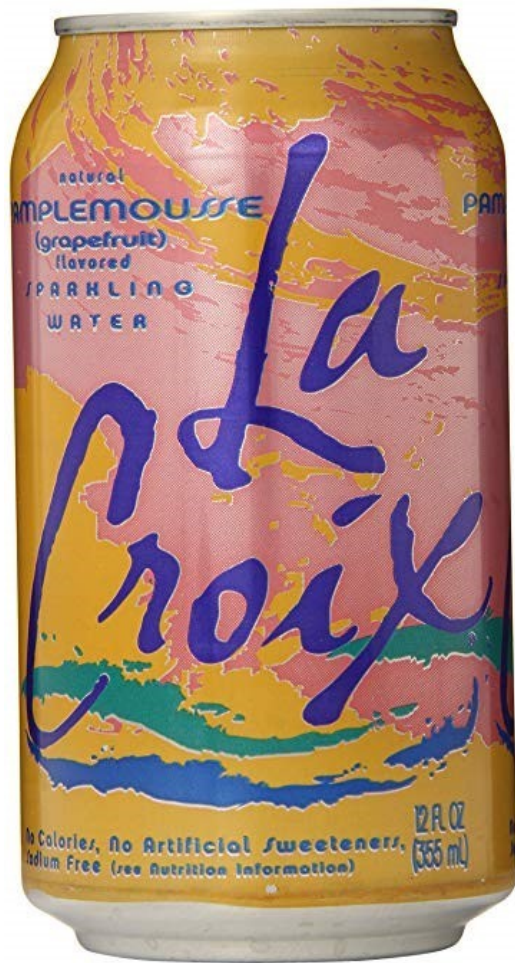
These days, almost everyone I know has Netflix. It's a great service for a great price. Netflix now has more than 100 million subscribers.

When you go from small startup to creating value for over 100 million customers, your stock soars. Netflix Inc. (NFLX) stock is up an astounding 2,400% since 2012.



Or, take National Beverage Corp. (FIZZ). It's the maker of the hit "fizzy water" La Croix.

Over the past decade, Americans have begun turning their backs on sugar-filled drinks. Instead of drinking sugar water, they've started drinking more zero-calorie "fizzy water" products like La Croix.



As one of the leaders of the “fizzy water” movement, National Beverage’s stock soared from \$12 per share in 2012 to \$101 per share in 2017... a more than eightfold increase.



Or, take the amazing story of Ulta Beauty Inc. (ULTA)...



In 2009, Ulta Beauty was a largely unknown makeup and health product retailer.

Over the next eight years, America went wild for Ulta's unique in-store experience... and Ulta's stock soared an incredible 48-fold.



And then you have Chipotle Mexican Grill Inc. (CMG)... one of the most successful restaurant concepts of the past 20 years.



As people went wild for Chipotle's quick-serve Mexican concept, its stock soared from \$100 per share in 2010 to over \$700 per share in 2015.



And then you have what might be the “granddaddy” of consumer hits... Amazon.com Inc. (AMZN).

These days, everyone raves about how easy and cheap it is to buy products from Amazon. The e-commerce pioneer has moved from selling books to selling nearly everything. Press just one button, and what you want shows up at your doorstep.



The company’s huge success has driven huge stock gains. Amazon shares gained more than 100-fold from 2003 to 2018.

That sort of gain turns every \$15,000 invested into \$1.5 million. Talk about a one-stock retirement plan!



Again... you didn't need an MBA or any special degree to spot these massive wealth-building opportunities.

You just needed to be paying attention to what was catching on in America... what people were eating and drinking... where people were going... what they were watching... what people were raving about to friends and social media followers.

America's free-enterprise system creates thousands of new businesses each and every year.

Many of these businesses have the potential to become the next mega-winners like Amazon, Chipotle, and Netflix.

You can spot these potential winners in your own buying habits. You can spot potential winners in what your friends and family are raving about.

If there's a great new restaurant chain, maybe it can give you the opportunity to quadruple your money in "the next Chipotle."

If many of the women you know rave about a new retail chain, maybe it can give you the opportunity to make \$25,000 in "the next Ulta Beauty."

If you find yourself buying cases of a great new drink, maybe it can give you the opportunity to triple your money in the next National Beverage.

The next time you hear about or see a great new product or service, take note. When you get some free time, look up the company behind it. You might be able to put Peter Lynch's "Buy What You Know" strategy to work...

And make a fortune with America's next huge stock winner.

Investing in Habits: The Only Stock Strategy You Need to Know About

By Luke Lango

The *Wall Street Journal* will never run a front page story about it...

... And it won't get featured on CNBC.

But one of the world's most powerful investment strategies comes down to investing in habits.

I often tell people that if they only learn one thing about buying individual stocks – *how to invest in the makers of branded, habit-forming consumer products* – they could ignore just about everything else.

I'm talking about owning businesses that sell habit-forming, or even addictive, products like soda, fast food, candy, cigarettes, and alcohol.

You could ONLY buy these types of businesses and do great as an investor.

Again: This is not a widely discussed idea. Many folks are just not comfortable with owning businesses that sell habit-forming products. And if they are comfortable owning them, they are often uneasy about publicizing it. It's not a popular topic at dinner parties or cocktail receptions.

But boy is it powerful...

If you study the 20 best-performing large U.S. stocks from 1957 through 2003 that kept their general corporate structure intact, you'll note many of them sold habit-forming products.

It jumps right out at you.

For example, Phillip Morris is at the top of the list. It was the top-performing large U.S. stock from 1957 to 2003. It sold cigarettes, which contain addictive nicotine.

Coca-Cola and Pepsi Co. are on the list. They sold soda... which is a sugar delivery vehicle.

Hershey Foods and Tootsie Roll are on the list. They sold chocolate and sugar.

Wrigley is on the list. It sold sugary gum like Big Red and Juicy Fruit.

People love to get a little sugar rush. It's habit forming... even addictive.

Fortune Brands, which was called American Brands for a while, is on the list. It sold cigarettes and alcohol.

Many drug companies are on the list. These names include Abbott Labs, Bristol-Myers Squibb, Merck, Wyeth, Schering-Plough, and Pfizer. People get accustomed to taking certain drugs.

Much of the time, those drugs are useful, although sometimes they are not. I'm not saying they are good or bad... I'm simply pointing out that people get extremely accustomed, even addicted, to taking them.

You can make the case that certain fast foods are addictive as well. Food chemists load fast food with stuff that makes people want more. This is part of the reason McDonald's has been such a corporate success. McDonald's returned an average of 13% a year for three decades.

Very few businesses can achieve that kind of sustained, superior performance.

The businesses I just mentioned produced more than 13% annual gains for decades.

Those returns are extraordinarily rare in the stock market.

You won't find anything better. Most companies can't sustain 13% annual returns for more than five years. The businesses above sustained those returns for decades.

The reason they did so well is simple...

When people form a habit around a product, it goes a long way toward ensuring repeat business. People get used to certain brands and they grow resistant to switching.

Also, when people get used to a product and the brand surrounding it, they will happily continue buying the product even if the price increases a little. Both of these qualities help companies sustain sales growth and healthy profit margins. That's good for shareholders.

It's also important to know that when these companies hit upon the right recipes or the right mix of whatever it takes to make good products, they don't have to make large, ongoing investments in the business. They don't have to spend tons of money on further research and development.

Once Coca-Cola hit upon Coke, it didn't have to change it.

The same goes for Budweiser and Hershey and Tootsie Roll.

When you develop a product that people love and develop habits around, you don't tinker with it. You don't have to spend a lot of money on new research and development. You don't have to buy expensive high-tech equipment. This means a larger percentage of revenues can be sent to shareholders. This leads to big dividends and share price gains.

These sellers of branded, habit-forming consumer goods, by the way, are the kinds Warren Buffett, the greatest investor in history, always looks to buy.

For a recent example of this strategy working beautifully, look to the coffee chain Starbucks. It's one of the great success stories of American business.

Starbucks coffee was traditionally higher in caffeine than other brands. This helped it become more addictive. From 1995 to 2006, Starbucks's market value advanced more than 2,000%. Starbucks was very good at selling a habit-forming product, and shareholders made a fortune.

Sam Adams is another good modern-day example. The makers of Sam Adams did a great job of producing quality beers associated with a strong brand. The name "Sam Adams" is associated with quality beer all over America.

From 2003 to 2013, shares in the maker of Sam Adams, Boston Beer, gained more than 1,000%. It's been a tremendous stock market winner. And the driver of those gains is a habit-forming product.

Other Benefits of Investing in Habits

Owning businesses that sell simple, habit-forming products is great for folks who don't follow changing technologies.

You don't have to try to pick winners from the complicated world of high-tech. You can make a fortune in "low tech" companies. It's very unlikely that enjoying a beer after work will become obsolete.

I like the predictability of owning robust, reliable businesses like McDonald's and Coca-Cola. I know it's very likely that folks will keep eating burgers and drinking soda.

I don't like the idea of buying a stock only to see it fall 30% in a few days because its fad product is going out of style... or because the cancer drug it bet the company on got rejected by government regulators.

Owning quality businesses that sell habit-forming products is a safe, sleep-at-night way to build wealth in common stocks.

This strategy is also ideal for investing in high-growth emerging markets like China and India.

Combined, China and India have about 10 times the population of the United States. Many of those people are at the level of economic development of 1950s America... and they are getting a little richer every year. It's an incredible trend.

To invest in the trend, I don't want to try and guess what websites will become popular... or what retailer will become fashionable. That's a very difficult game. Those business landscapes will shift and change rapidly.

On the other hand, I'm very confident the folks in India and China who are getting a little richer every year will want to enjoy the same habit-forming products Americans have enjoyed for decades. They will want to consume more branded soda, cigarettes, candy, beer, liquor, and processed foods.

So, owning international businesses that serve those growing markets makes a lot of sense.

It's worth addressing something that always comes up when this idea is discussed. People like to talk about whether it's right or wrong.

I'm not making a statement on whether owning these companies is right or wrong or socially responsible.

Deciding to own businesses like these is up to the individual.

I'm simply pointing out what works.

Human nature is what it is... which is why owning the makers of branded, habit-forming products has been a proven strategy for decades... and it will continue to be for decades more.

Why You Should Learn to Appreciate a Good Financial Crisis

By Luke Lango

For the 210-year period from 1802 to 2012, investment returns in U.S. stocks averaged 6.7% per year.

The excellent returns in stocks came during a time marked by booms, depressions, world wars, stock crashes, amazing innovation and financial panics.

At that rate of appreciation, you'd double your investment stake (aka "make a 100% return") in about 11 years... and you'd triple your stake (a 200% return) in about 17 years.

But thanks to a unique type of market event, there are times when entire groups of stocks climb 100% in a year... and 200% - 300% in two years.

These events lead to "warp speed" wealth generation for shareholders.

These unique events aren't just great for generating awesome short-term results. They create opportunities to lay the foundations of financial empires that last for generations.

When this kind of event occurs, the world's greatest investors see it as the "Super Bowl" of investing... something you work and train for your whole career... a time to build dynastic wealth and a legendary reputation.

As powerful as this event is, the average joe runs away from it. That marks a critical distinction between naïve investors and wise investors.

In fact, how a person views these events is one of the defining differences between the rich and the poor. The poor are bewildered and angered by these events. The

rich see them simply as how the world works... and as the creators of huge opportunities.

What is this event that creates “investment magic”?

A crisis.

A time of great fear, plummeting prices, uncertainty, upheaval, and panic.

A crisis can take many forms. But during a financial crisis, some of the same things happen again and again: stock market crashes, bear markets, bank runs, mass loan defaults, huge bankruptcies, currency crashes, wars and incredible swings in asset prices.

Every five to eight years, there’s a major financial crisis somewhere in the world. They can happen in individual countries and specific industries. Or they can be global in scope (like the worldwide financial crisis of 2008).

To the poor, a crisis is something totally new and unexpected. This is because one of the defining characteristics of poor people is a reluctance to study and learn from history. Since the poor have no historical context, a crisis is utterly baffling to them. They act as if each one is the first crisis in human history.

This is why so many poor people panic or simply freeze up during a financial crisis... it’s a time to focus on a laundry list of boogiemens who should get the blame. Their targets are often speculators, corporate executives, and the government.

The rich, on the other hand, learn to appreciate a good crisis.

They certainly aren’t surprised by them.

After all, even a quick and shallow study of history shows financial panics are a common part of life. It’s just the nature of things.

For example, here’s a short list of crisis events from recent history...

***The worldwide financial crisis of 2008/2009.

***The implosion of the U.S. auto sector in 2008.

***The Nasdaq bubble bursting and subsequent bear market from 2000 – 2002.

***The Greek government debt crisis in the aftermath of the 2008 global financial crisis (2010 – 2016).

***The implosion of Argentina's economy and subsequent depression from 1998 – 2002.

***The implosion of Russia's economy and currency in 1998.

***The Mexican economic and currency crisis of 1994.

***The U.S. savings and loan crisis of the late 1980s/early 1990s.

A study of the past 100 years reveals near-constant crisis. In addition to the events above, you have World War I, World War II, the Vietnam War, the 1970s energy crisis, the Great Depression, the 1987 stock crash, and the 1997 Asian financial crisis.

People are capable of great acts of kindness and intelligence, but we're also capable of great acts of stupidity, dishonesty, and villainy. These ingrained human traits ensure crisis events will always be with us.

And while there's plenty of blame to go around during a crisis, the wise investor who's building his financial empire doesn't spend his time and energy playing the blame game. He's far too busy with far more important, far more useful things.

He knows a crisis is a unique event that creates unique opportunities.

Here's why...

About the Only Time You Can Get a Real Bargain

One of the major goals of an investor focused on asset accumulation (one of the most surefire ways to build a financial empire) is to buy assets for less than they are worth. This goes for businesses, resource deposits, real estate properties, bonds, and every other kind of asset.

Put another way, the goal is to buy bargains.

However, finding real bargains is difficult... and you rarely get the opportunity to buy them.

This is because financial markets correctly price most assets the majority of the time. Most of the time, stocks, real estate, bonds, and commodities like gold and oil, trade for approximately what they are worth.

The key words in that last sentence for empire builders are "most of the time."

Assets trade for what they are worth "most of the time" ... not "all of the time."

And there are fortunes to be made from the difference between “most” of the time and “all” of the time.

Mainstream financial books and professors say the market accurately prices assets all of the time. They say people always make rational financial decisions.

This is the basis for an idea that universities promoted starting in the 1960s called the “efficient market hypothesis”

The efficient market hypothesis says the financial markets take their cues from rational people who always make rational decisions. So, all those rational people making all those rational decisions always produces rational asset prices.

It sounds clean and orderly. And for years, this was academic gospel. Anyone who said otherwise was attacked by an army of “scholars” who spouted lots of convincing statistics. These academics declared market prices always reflect everything that is known about stocks and bonds. So, trying to “beat” the market was futile.

However, this popular theory is a load of BS.

The academics missed a critical aspect of human nature: People are irrational. People do crazy stuff. Even rational people do crazy stuff from time to time. It's just human nature. We're emotional creatures.

Take World War I, for example. You had the countries of Europe, filled with people who generally just wanted to enjoy life and mind their own business. And then, a small conflict erupted.

That small conflict could have been resolved relatively quickly had rational minds prevailed. Unfortunately, irrational human nature took over.

This resulted in a huge war that killed more than 15 million people. It completely devastated some of the most powerful countries on Earth.

There were lots of men fighting in that war who had no idea who they were fighting or for what reason. They were murdering each other because some king or bureaucrat told them it was the right thing to do. It was total insanity.

Was that a rational decision?

Another example of our irrational nature is our tendency to self-destruct. Destroying your life with alcohol, drugs, or gambling isn't rational. Punching a brick wall and breaking your hand isn't rational. Staying with an abusive spouse isn't rational. Yet, people do those things thing all the time. It's part of who we are.

So, don't be surprised when you see people doing crazy, irrational things. Take note, protect your family, and don't be surprised. If you have a sense of humor and a safe place to stand, you might even get a laugh out of it. Laugh at the absurdity of life.

I want you to be a financial empire builder. And as an empire builder, expect this absurdity to constantly produce financial crises.

A crisis creates massive empire building opportunities because it introduces tremendous amounts of emotion into the financial markets.

A crisis creates panic. When people panic, they dump their ownership stakes in stocks, bonds, real estate, and commodities with little regard to their real values or ability to produce income. They just sell first and ask questions later. This creates huge declines in asset prices and huge volatility.

For example...

***In 2008, the U.S. stock market fell 53%. Crippled by mortgage market losses, banking stocks fell more than 90%.

***From early 1998 to March 2000, the Nasdaq stock index climbed an incredible 219%. But when this bubble popped, the Nasdaq plummeted 78% over the next two and a half years.

***On June 18, 2014, the price of crude oil was \$106 a barrel. Just nine months later, the price had declined by 59% to hit \$43 per barrel. It eventually fell as much as 73% off its 2014 high. Many oil stocks lost over 75% of their value.

***From their 2000 low to their 2008 high, gold mining stocks, as measured by the Gold Bugs index, climbed 1,300%. After hitting a peak in 2008, gold stocks crashed as much as 70%.

These examples are just from recent times. You also have the stock market crash that accompanied the start of the Great Depression. Stocks lost over 80% of their value. Then there's the 1987 stock market crash. Stocks lost 22.6% of their value in one day.

Remember, markets are rational most of the time. They price most assets correctly most of the time. But when emotion levels go off the charts-like they do in crashes we listed - emotion completely overwhelms reason.

During a crisis, the price of assets decouples from the value of assets.

This, of course, means if you can keep your head while others are losing theirs, you can buy assets at fire sale prices.

A crisis event is about the only time you get the opportunity to do so. When you buy assets at bargain prices, you set yourself up for huge gains down the road.

For example, the wake of the 2008 credit crisis was a fantastic time to accumulate world-class assets... a fantastic time to lay the foundation of a financial empire.

This period was marked by the bankruptcy of Lehman Brothers, which was the largest corporate bankruptcy in U.S. history. The housing market crashed. The stock market plummeted more than 50% in its worst year since the Great Depression. We were on the verge of a global economic meltdown.

But the world has a funny way of not ending. It turned out that late 2008 and early 2009 was an amazing time to buy business like Apple, Altria (the world's largest cigarette maker), and Starbucks. Apple tripled in value off its 2009 bottom in less than two years. Altria doubled off its bottom in about two years. Starbucks more than tripled in value off its bottom in about two years.

Commercial real estate, as measured by the large commercial investment fund, iShares Real Estate, also more than doubled off its bottom in just two years. One of the top mining firms in the world and owner of the top shelf Grasberg copper deposit, Freeport-McMoRan, more than tripled off its bottom.

All those assets were deeply depressed because of the mass, emotionally charged selling... because of the pessimism. The crisis created extreme bargains.

Most importantly, those bargains offered the opportunity to make "one decision" empire building moves. When you buy top shelf businesses, resource deposits, and properties at fire sale prices, you often never have to sell them.

Remember, during a financial crisis, essential assets like factories, skyscrapers, mines, oil fields, farms, pipelines, and power plants don't dry up and blow away. Their physical structures don't change one bit.

Factories still make things people want to buy.

Farms still produce food people want to buy.

Homes remain structures we can live in.

During a crisis, the only thing that changes about these valuable, lasting assets is who owns them.

The financial markets are like a chess game. During a crisis, the ownership of essential assets moves from weak players to strong players.

For example, during the 2008 panic, the share price of manufacturer 3M fell from \$78 per share to \$45 per share, a huge 42% decline.

But here's the thing: 3M was (and still is) one of the world's elite manufacturing companies. It has a huge suite of valuable brands, intellectual property, distribution contracts, and production facilities.

In addition to its popular sticky notes, 3M makes adhesives, cleaning pads, insulation, and hundreds of other things. It has billions of dollars' worth of factories and brands.

3M is so good at what it does, that it has increased its dividend paid to shareholders every year for more than 50 years. Less than 50 companies in the world can make that extraordinary claim of consistent profitability and shareholder yield.

During the crisis – when 3M stock fell 42% – 3M's factories didn't dry up and blow away. Its super brand names didn't fall into a black hole. Nothing about 3M's business changed.

The only thing that changed was who owned the company.

During the crisis, panicked sellers dumped their ownership shares. But asset accumulators with an appreciation for value and quality scooped them up at bargain prices.

Four years after the crisis, 3M shares had more than doubled in value and reached all-time highs. The company continued raising its dividend as well. Investors who bought 3M shares during the crisis were earning an 8% (and growing) dividend in the years that followed.

An Enlightened View of the Market

When you buy a high-quality, super stable income-producing collection of assets like 3M at fire sale prices, you get what could be called an "enlightened" view of economic recessions and market declines. While others worry, you relax.

After all, if you're earning a safe 8% yield on your share of a world-class collection of assets, do you care if the stock market drops 10% or 20% next year?

Do you care about a 10% decline in home prices or a 30% spike in oil prices?

Not really... unless you get entertainment value out that kind of news. But it certainly won't affect that part of your empire. You can sleep soundly at night... and

be comfortable knowing that no matter what the stock market does, folks are still going to be buying products from your business... and your business will continue paying big dividends.

You know the broad market could decline by 20% and you would still get your 8% yield. They could shut the market down for a year and you'd still get your money.

That's the peace of mind accumulating assets at bargain prices will give you.

And while we as empire builders are looking to own top shelf assets for decades, it's worth pointing out that buying during a crisis can lead to huge short-term wealth accumulation. When things are truly bad, you don't need them to get "good" to make a lot of money quickly. You can make huge money as things go from "terrible" to "less terrible."

The greatest speculator of all time, George Soros, has a brilliant way of looking at crisis situations. He says, "The worse a situation becomes, the less it takes to turn it around, and the bigger the upside."

Warren Buffett is one of the world's greatest practitioners of accumulating assets during times of crisis. Buffett comes off as a grandfatherly "aw, shucks" type of guy, but he's a master crisis hunter... a master of buying assets during times of despair.

In 1964, Buffett made an incredibly successful purchase of blue-chip credit card firm, American Express, after it was rocked by a crisis. American Express had extended a large amount of loans to a company that was busted for falsifying documents. Its share price fell nearly 50%. Afterwards, Buffett bought the stock. He ended up making a fortune and owning more than 10% of one of the all-time greatest American businesses.

Buffett was also a very active buyer and lender during the 2008 credit crisis. He made a handful of spectacular investments during that time. Buffett is famous for saying that he likes to invest in great companies that have been hit by a one-time huge, but solvable, problem. In other words, he looks to buy great companies after a crisis.

Humans are hardwired to seek the safety of crowds. Fifty thousand years ago, it's how we survived. But when it comes to accumulating assets and building your empire, you won't succeed by doing what everyone else is doing. And during a crisis, almost everyone panics and sells. We must fight the natural instinct to run away from the crisis... and instead run toward it.

To repeat a key empire building idea: During a financial crisis, assets like farms, buildings, factories, and railroads don't vanish into thin air. Nothing about their physical nature changes at all. What changes is who owns those assets.

During times of panic, you can lean on the wisdom of master empire builders, Warren Buffett and Nathan Rothschild. One of the best things Buffett ever said about how to succeed as an investor was, "You want to be greedy when others are fearful, and fearful when others are greedy." And the legendary financier Nathan Rothschild's recommendation was, "Buy when there is blood in the streets."

After all, the price you pay is of critical importance to the empire builder.

Here's why...

The Critical Importance of Price

It's a quirk of human nature that has amazed financial advisors and top investors for generations...

When the average guy wants to buy a new car, he'll spend hours studying his options. He'll carefully weigh the benefits and prices of each potential purchase. He'll pit sellers against each other and get them to compete for his business. He'll dig in his heels and haggle over car features and the price. He'll do the same with shoes, computers, and houses.

After all, when you buy things, you don't want to pay stupid prices. You want to pay good prices. You don't want to overpay and embarrass yourself by getting ripped off.

Yet... when people invest their life savings, the idea of paying a good price is often discarded. The average guy gets excited about a stock story he reads in a magazine... or hears how much his brother-in-law is making in a stock, and he just buys it. He doesn't pay any attention to the price he is paying or the value he is getting for his investment dollar.

It's a shame... because a good case can be made that the price you pay is the most important aspect of any asset purchase.

Like many investment concepts, it's helpful to think of it in terms of real estate...

Let's say there's a great house in your neighborhood. It's an attractive house with good, modern construction and new appliances. It could bring in \$24,000 per year in rent. This is the "gross" rental income... or the income you have before subtracting expenses.

If you could buy this house for just \$96,000, it would be a good deal. Since \$24,000 goes into \$96,000 four times, you could get back your purchase price in gross rental income in just four years. In this example, we'd say you're paying "four times gross rental income."

Now... let's say you pay \$480,000 for that house. Since \$24,000 goes into \$480,000 20 times, you would get back your purchase price in gross rental income in 20 years.

In this example, we'd say you're paying "20 times gross rental income." Paying \$480,000 is obviously not as good a deal as paying just \$96,000.

Remember, with this example, we're talking about buying the same house... and the same amount of rental income.

In one case, you're paying a good price. You're getting a good deal. You'll recoup your investment in gross rental income in just four years. Said another way, your "payback period" is four years.

In the other case, you're paying a lot more. You're not getting a good deal. It will take you 20 years just to recoup your investment. Your payback period is five times longer. And it's all a factor of the price you pay.

Now, did anything about the actual house change? Were the bricks, or windows, or kitchen appliances somehow more or less valuable in either case?

Obviously not. The only thing that changed was the purchase price - one price led to a good deal, the other led to a bad deal.

The house itself didn't matter. Price mattered.

This concept works the same way when you invest in any business, public or private.

Let's say a potato chip maker, Premium Snacks, generated \$2 million in profit last year.

If you buy Premium Snacks at a market value of \$12 million, you're paying six times earnings. If you buy Premium Snacks at a market value of \$40 million, you're paying 20 times earnings. If you buy Premium Snacks at a market value of \$100 million, you're paying 50 times earnings.

The market is made up of people. And remember, people act crazy from time to time. One month, the market might set the price of Premium Snacks at \$6 million. The next month, it might set the price of Premium Snacks at \$8 million or \$10 million.

We know that sounds like a wide range of prices, but you see these ranges in the stock market all the time. People are willing to pay different prices for different businesses at different times.

The amount people are willing to pay for a company's earnings is often called the "price-to-earnings multiple," or simply "the multiple."

In this example, it's a much, much better deal to buy shares of Premium Snacks when the market is valuing it at \$12 million – or at a price-to-earnings multiple of 6 – instead of buying shares when it is valued at \$100 million – or a price-to-earnings multiple of 50. You get more value for your investment dollar. You're buying shares in a cash-producing enterprise for a lot less.

Our goal as empire builders is buying assets at bargain prices... and avoid buying assets at bloated, expensive prices.

It's vitally important to know that buying a stake in a great business can turn out to be a terrible move if you pay the wrong price.

Let's go back to Premium Snacks. It has a good brand and good profit margins. It's steadily growing. And remember, it does \$2 million in annual profit.

If you buy an ownership stake in Premium Snacks at a market value of \$200 million, you're paying 100 times earnings. This is an extremely expensive price. Your only shot at making money in this example is if someone else comes along and is willing to pay an even crazier price than you did.

While this "waiting for a greater fool" approach can work occasionally, it's generally a losing strategy. The typical investor will never be able to make it work.

What often happens is that the company keeps doing well, but the multiple that people are willing to pay returns to more normal levels.

In a case like this, the company can keep increasing its profits, but the share price will plummet. It can fall 50% or 75%.

We know this sounds extreme, but it's exactly what happened during and after the 1999 and 2000 market peak.

Back then, good companies with solid future prospects – like Wal-Mart and Microsoft – traded for 50, 60, even 90 times earnings. People who purchased shares back then paid nosebleed prices. They had stock market bubble fever. They didn't focus on getting good value for their investment dollars.

Because many stocks with good business models were so overvalued, their share prices crashed in 2000 and went nowhere for years. The underlying businesses were still sound. The businesses were still growing and producing profits. But the stock prices got so out of whack that investors who overpaid suffered horribly. It took a long time for the stocks to "work off" their extremely overvalued states.

For example, in 1999, Wal-Mart traded for more than 50 times earnings. It spent more than a decade “working off” that overvaluation. Folks who bought Wal-Mart back in 1999 didn’t make any money for more than a decade. The company did fine... but shareholders who bought the stock at stupid prices suffered for a long time.

If you can buy a great business for 10 times earnings, it’s a good deal. But if you pay 30 or 50 times earnings for it, you’re bound to be disappointed.

This concept is so important we’ll state it again: If you overpay, you can buy a great company and make a terrible investment.

On the other hand, you can make money in a poor business if you pay a bargain price.

Let’s say Superior Foods is barely profitable and has a market value of \$4 million. It makes just \$100,000 a year. Competitors like Premium Snacks are doing a better job of serving potential customers... so Superior’s sales are declining.

But let’s also say that the company sits on a valuable piece of real estate, which it owns free and clear. You know the piece of property could easily sell for \$3 million... maybe even \$4 million.

You could buy an ownership stake in Superior, knowing full well the business is in decline and could even stop making money. But if you buy shares while the market values the company at \$2 million, you could make great money if they close the business and sell the real estate for at least \$3 million.

In this example, you could make money in a bad business by paying a bargain price. Again, it all comes down to the price you pay.

If you’re buying a business with the aim of collecting dividends, the price you pay is a huge deal.

Let’s go back to Premium Snacks. It’s a great business that pays a very stable dividend. It has raised its dividend every year for 23 consecutive years. Its current annual dividend is \$1 per share.

If you buy Premium at \$20 per share, your dividend yield will be 5%.

If you buy Premium at \$30 per share, your dividend yield will be 3.3%.

If you buy Premium at \$36 per share, your dividend yield will be 2.8%.

If you buy Premium at \$100 per share, your dividend yield will be just 1%.

As the price you pay goes up, the yield on your investment goes down.

Obviously, you want to pay lower prices and earn higher yields.

The situation is the same when buying bonds (aka “making loans”). Bonds pay fixed-income payments. But like stocks, the price of bonds can fluctuate.

For example, let’s say a bond is issued at a price of \$1,000 and pays 5% in annual interest. That’s \$50 in annual interest.

If investors lose faith in the company that issues the bond, the bond price could fall to \$700. But the bond’s annual interest payment would remain \$50 per year. In this case, the buyer of the bond who pays \$700 would earn about 7.1% in annual interest.

The amount of interest you earn on your capital is all a function of the price you pay.

The key takeaway is that we must view our stock, bond, real estate, and natural resource purchases just like we would view buying a house, car, phone, or groceries. Don’t be a sucker and overpay.

Price is what separates the good deals from the bad.

Make sure you get good value for your investment dollar. Hunt for bargains.

You wouldn’t pay \$50 for a gallon of milk, would you?

So why pay absurd prices for your investments?

Learn to appreciate a good crisis... and hunt for bargains.

Why You Should Remember that There Are Always Two Sides to a Price

By Luke Lango

Prices.

You can't make a move in today's world without seeing the price for something.

You've got prices for cars, homes, gas, food, insurance, medical care, appliances, and services. You've got prices for financial assets like stocks and bonds.

Most people view a price as having just one side. A stock's price is \$42, a home's price is \$350,000, a car's price is \$27,000. For most people, the thinking stops there.

Yet, there's a very different, very powerful way to view prices beyond them having just one side. Not many people use this way of seeing things, but it's one of the great secrets of the financial markets. It's something that lets you to see what others do not.

Once you learn and start using this idea, you'll ascend to a higher level of understanding the markets even a higher understanding of everyday life.

Those are bold statements. Below, I follow through on them.

Rather than seeing a price as having just one side, an enlightened individual sees a price as having two sides. He understands there is great power in knowing that "there are always two sides to a price."

Here's how "two sides to a price" works:

On one side of a price, you have the asset, product, or service being measured.

On the other side, you have your "measuring unit."

This is the currency you're measuring the other side with, like dollars, euros, Swiss francs, Bitcoin, Japanese yen, or "hard money," gold.

If you keep these two sides in mind, a whole new world of opportunities will open up to you. When you realize there are always two sides to a price, you'll start viewing the stock, bond, and commodity markets in a much more useful way.

Both sides of a price can fluctuate wildly. They can boom and bust. They can enter long-term bull markets and long-term bear markets.

Most people panic during stock crashes and bear markets, but someone who knows there are always two sides to a price thinks and acts differently.

This is because he knows a bear market in stocks is also a bull market in cash.

He knows that when asset prices go down, his power to accumulate assets goes up.

For example, let's take a hypothetical company, Broward Breweries. With its suite of popular beers, Broward is one of the country's top beer makers. It has a large and loyal customer base.

Because of these qualities, Broward Breweries is a great business that rewards its shareholders. It has increased its dividend payment every year for the past 18 years. The current annual dividend payment is \$2 per share. Since Broward's share price is currently \$50, the dividend yield is 4%.

Now, let's say stocks enter a terrible bear market. During this bear market, Broward continues to sell beer. Its customers remain loyal and the fundamentals of the business itself remain strong. Given this, Broward continues to pay its dividend, but since stocks are out of favor with investors, Broward's share price falls to \$25 per share.

In this example, one can say Broward's share price dropped by 50%. For most folks, the thinking stops there.

Since we are enlightened investors, we go a step further. We say the amount of this great business we can acquire with our investment dollar has increased, not by 50%, but instead, by 100%!

To illustrate, let's say we wanted to spend \$5,000 on Broward's stock. At a share price of \$50, that would have bought us 100 shares, but then Broward's stock fell 50% to \$25. Our same \$5,000 now buys us 200 shares, 100% more than before, even though the stock itself only fell 50%!

Thanks to Broward's lower stock price, we can own a larger share of the business's assets – per dollar invested – than we could before.

We can also claim a larger share of Broward's dividend stream per dollar invested. The falling share price translates into us getting a much larger cash yield on our investment. Buying Broward at \$25 per share instead of \$50 per share means we earn an 8% yield on our investment instead of a 4% yield.

This simple example shows how the mirror image of a bear market in stocks is a bull market in the value of your cash.

Said another way, as asset prices go down, your ability to employ cash in the acquisition of assets goes up.

You can also see this idea at work in the real estate market.

Say there's a well-built single-family home in your neighborhood. It's capable of generating \$12,000 in annual rental income (before factoring in expenses like maintenance and insurance). Imagine it would sell on the current market for \$120,000, or 10 times rent.

Now, let's say that housing in your area enters a bear market. That home declines in value and sells for \$90,000.

In this instance, we could say the home's value decreased by 25%. Or, we could say your dollars increased in value relative to the home. You can now buy the home that throws off \$12,000 in rental income for \$90,000 instead of \$120,000. It was a bear market in housing, but also a bull market in your ability to acquire real estate with your cash.

Let's go to the commodity market for another example. We'll use copper, one of Earth's most useful natural resources. Copper is used in cars, homes, appliances, electronics, power lines, construction, and a thousand other things.

In 2007, copper traded for around \$3.50 per pound. During the 2008 financial crisis, it plunged in 57% in value. By early 2009, it traded for around \$1.50 per pound.

By now, you know the other way to view this situation.

Copper's massive price decline increased the amount of this useful natural resource you could accumulate with your investment dollars. In 2009, your investment dollar bought you a lot more copper than it did in 2007. (And by 2011, the dollar price of copper had recovered more than 150%.)

We'll go to the currency market for one last example.

The financial media often runs articles about big moves in the currency market. You might read how the Canadian dollar has dropped 10% in the past year, or how Russia's currency, the ruble, is crashing.

But when a currency crashes in price, another currency, like the dollar, soars in price relative to that currency.

That's exactly what happened in 2014 when Russia's economy struggled badly. The Russian ruble lost more than 50% of its value relative to the U.S. dollar, but you know there are two sides to this story.

On one side of the price, you had a currency crash. On the other side, you had a currency rally. During this rally, the dollar holder's ability to buy Russian assets

skyrocketed. (By the way, this knowledge is useful for taking vacations. Your buying power goes a lot further in a country that has experienced a big currency decline.)

“There are always two sides to a price.”

When you know a bear market in stocks or commodities or real estate is also a bull market in cash, you’ll be more comfortable keeping a large portion of your wealth in cash, knowing the whole time that it’s increasing in value and will eventually allow you to accumulate valuable assets at bargain prices.

Keep this in mind the next time a market crashes. You’ll see what others don’t. You’ll start considering your cash as “returns in waiting.”

You’ll know your cash is enjoying a bull market in purchasing power, and you’ll be ready to buy valuable assets at fire sale prices.

Asymmetric Bets: How to Risk a Little and Make a Lot

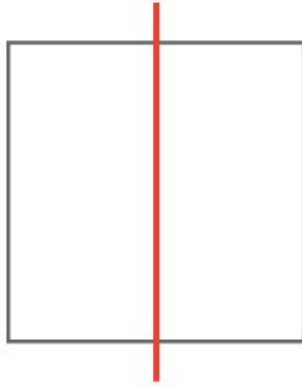
By Luke Lango

Among the world’s best traders and investors, there is an obsession with “asymmetry.”

You probably learned about opposite of asymmetry – symmetry – in grade school.

When the parts of something have equal form and size, they are said to be symmetrical.

For example, cut a square in half, and the two parts are symmetrical.



In many areas of your life, symmetry is attractive.

The more symmetrical someone's face is, the more attractive they are typically considered to be. Symmetry can be pleasing in art and architecture.

But when it comes to the financial markets, experts avoid symmetry.

To put it bluntly, symmetry is for chumps.

When it comes to stocks, symmetry is the opposite of what we are looking for in our portfolios.

Expert investors and traders seek asymmetry in virtually all the positions they take.

An asymmetric "bet" is when the potential upside of a position is much greater than its potential downside.

If you risk \$5,000 for the chance of making \$100,000, you make an asymmetrical bet.

If you risk \$5,000 for the chance of making \$5,000, you make a symmetrical bet.

Although this concept is common sense, the vast majority of investors fall into the trap of making symmetrical bets in the stock market.

Many investors routinely risk 100% of their money in the pursuit of 100% returns.

Or even worse, they risk 100% of their money in the pursuit of 50% returns.

For example, many folks will buy a stock someone touts as having "100% upside," and they'll be willing to ride the stock to zero (a 100% loss) if things don't pan out.

100% upside.

100% downside.

Symmetry.

Now, risking a dollar to make a dollar might sound fine to most folks. But great traders and investors know there is a much, much better way to think about risk and reward... a much better way to tilt the odds in your favor.

An investment or trade with symmetrical risk/reward potential actually gives you horrible odds... the odds you'll find in casinos or in the bets drunken sports fans make between themselves.

Most people don't understand why those odds are so bad, and it kills them in the financial markets.

The world's best traders and investors almost never touch positions with symmetrical risk/reward profiles.

The world's best traders and investors look for opportunities where they can risk \$1 for the real chance of making \$5... \$10... even \$20.

Since the best small cap stocks have MASSIVE upside potential, they can allow you to constantly put the power of asymmetric bets to work for you.

Risk a little...

...in the pursuit of earning big rewards.

That's the power of asymmetric bets.

When a trader learns this concept, he/she ascends to a higher level of understanding and success in the markets.

It is a key part of "graduating" to market mastery. We hope you put it to work in your own portfolio.

“It Only Takes One”: How to Make a Fortune with the “VC” Approach

By Luke Lango

What would you do with an extra million dollars in cash?

Retire tomorrow?

Buy a new house?

Buy a Ferrari?

Put it in the bank and massively increase your financial freedom?

Sure, it's nice to daydream about having an extra million dollars in the bank.

But we are asking you this question because it's a real life situation the financial bankers of early-stage companies – venture capitalists (VCs) – often find themselves in.

After all, these are the same people that understand the power of asymmetric bets.

When it comes to extreme wealth creation, few endeavors can compare to being an owner of a small company that grows large.

For example an early investor in Microsoft could have made over 9,000% during the 1990s.

That type of gain turns every \$5,000 invested into \$450,000.

It only takes one of these big hits to make a huge amount of money in small cap companies with massive upside.

And that is why it's helpful to you approach the companies we recommend in the Daily 10X with a “VC mindset.”

What are venture capitalists?

And how do they earn such massive returns?

Venture capitalists are the early backers of startup companies. They are the grand slam home run hitters of the investment world.

They don't look to make 300% on their investments.

They look to make 3,000%... even 30,000%.

Make just one great venture-capital investment and you'll probably never have to worry about money.

Venture capitalists have funded nearly every mega-hit technology company you know today: Google (now Alphabet), Facebook, Twitter, Uber, Airbnb, Pinterest, and the list goes on and on.

Before the public learned about these innovative businesses, venture capitalists were there, performing due diligence and making early investments.

By the time the average investor hears about a technology leader like Google, venture capitalists have made more than 2,000% on their original investments.

And while we don't recommend non-public companies in this research service, we still very much employ a venture capital mindset.

We are looking to hit grand slam home runs.

We are looking to make hundreds, even thousands of percent returns in the world's best small public companies.

It just takes one big win to change your life.

Why a Great Small Business Portfolio is Like a Basket of Lottery Tickets

Ideally, you'll view your portfolio of small public companies with huge upside just like world-class venture capitalists view a portfolio of small private companies with huge upside:

As a collection of the business world's "lottery tickets."

And what does a winning lottery ticket do?

It allows you to hit it big.

Venture capitalists know that investments in small companies have huge upside.

These investments can skyrocket 10-fold, 20-fold, even 100-fold in value.

However, venture capital investments also carry higher risks than investments in larger, more established companies.

New small companies fail more often than larger, established companies.

So, venture capitalists lose money on their investments more often than they make money. Their “win rates” are lower than investors who stick to big blue chip stocks. It’s a risk/reward tradeoff.

The best venture capitalists are fine with lower “win rates” because the money they make on their huge winners more than makes up for the money they lose on their losers.

They know when one of their portfolio companies, “hits,” it can hit it very big.

So, venture capitalists view their portfolios of small company investments as collections of “lottery tickets” in the business world.

Sure, a lot of the investments won’t be successful. *But the ones that are successful are successful in a very big way.*

One jumbo 3,000%+ winner like Netflix more than makes up for a lot of small losses.

Tailwinds: How to Get the World’s Most Powerful Business Trends Working in Your Favor

By Luke Lango

***Have you ever known someone who got rich even though they didn't seem very smart, didn't try very hard, or both?

Almost everyone I know has someone they'd place in this category...

The mortgage brokers and real estate agents that made millions during the 2002 - 2007 real estate boom... despite not working or thinking very hard... the guy that made millions in gold mining during the historic gold bull market from 2002 - 2011 ... despite not working or thinking very hard... the website designer that *practically fell* into millions of dollars during the 1990s Internet boom.

Then there's the big, easy money made during the 2017 Bitcoin boom... the 2014 - 2019 marijuana stock boom... the VCs of the post-2008 Silicon Valley boom... the 1980s boom in Wall Street profits... and the list goes on and.

There's a powerful secret - a set of knowledge - behind most of the "easy" or "accidental" fortunes in the world. This knowledge is one of the key differences between people who make lots of money and people who don't.

When you put this secret to work, it's relatively easy to make a fortune without trying or thinking very hard. In fact, *this secret is the foundation of a phenomenally powerful approach to investment and entrepreneurship.*

Here's what I mean...

***In the business world, the "super boom" times I described above are often said to be times of "tailwinds." They are extremely favorable periods where an industry's sales and profits soar.

If you've ever met someone who got rich without trying or thinking very hard, chances are they got into an industry with a strong tailwind blowing at its back... a tailwind of robust industry growth that lasted for years. The winds working in their favor look like this:



Achieving success these situations can be like hopping on a boat headed down a huge, fast-flowing river. *You can practically float your way to success.*

Take the 1990s Internet and communications boom. It was an incredible time for tech entrepreneurs, investors, and employees. Gale-force tailwinds of wealth creation were blowing.

The benchmark technology stock index – the Nasdaq – gained 40% in 1995...

... then 22.7% in 1996...

... then 21.6% in 1997...

... then 39.8% in 1998...

... and then an incredible 85.6% in 1999.

During these boom years, top technology firms like Microsoft, Cisco, and Qualcomm doubled and tripled in value in just months. Annual stock gains of 1,000% were common in the technology sector. Company founders made billions of dollars. “Regular” employees made millions of dollars... many did so by floating on giant rivers of wealth creation.

***A strong tailwind can come in various shapes and sizes. It can come in the form of a huge rally in the price of a commodity like corn (which makes farmers rich) or crude oil (which makes oil drillers rich).

A strong tailwind can be the result of a new technology reshaping the world, like the Internet and wireless communications did in the 1990s... or like smartphones did from 2007 to 2017.

Big changes in the law can cause strong tailwinds to blow, such as like the legalization of marijuana.

Starting in 2012, U.S. states began to legalize marijuana use. In the years that followed, the market values of many marijuana-related businesses soared more than 20-fold... and some soared by 50-fold.

***Most books on wealth don't emphasize it, *but I believe knowing how to spot and harness tailwinds is one of the great secrets of getting what you want in life.*

Whether you want money, respect, freedom, or good press, few forces in this world can help you more than a strong tailwind.

Want to retire rich at 40? Get a tailwind blowing in your favor.

Want to build a multi-billion dollar business? Get a tailwind blowing in your favor.

Want to massively grow your nest egg with smart investments? Get a tailwind blowing in your favor.

Want to make a large annual income without working or thinking very hard? Get a tailwind blowing in your favor.

***Too often in life, smart, hard working people struggle to get what they want. It's often because they're not working with tailwinds at their backs, or worse, headwinds blowing in their faces.

For example, you could have been one of America's best clothing manufacturers back in the mid-1990s... but vast amounts of cheap clothing coming from China was a powerful headwind working against you.

Or, take bricks and mortar retailers in the Internet age. Many retailers who do many things right are getting killed right now by the gale-force headwind that is Amazon.

Or, consider how small mom and pop retailers – *even the best ones* – have struggled to compete against Walmart's ultra-low cost headwinds for the past 30 years.

If you're thinking about taking a new job, starting a new business, or making a substantial investment in a business (public or private), it makes sense to study the tailwinds and headwinds that are affecting or could affect the business in the future.

Think of it this way: You don't want to spend five years of your life becoming an excellent buggy maker right before Henry Ford introduces the Model T. And you don't want to own the neighborhood's best movie rental store right before Netflix rolls out its home streaming service.

People can and do make lots of money in declining industries, but making big money is a heck of a lot easier and your chances of doing so are a heck of a lot higher if you focus on industries with powerful, long-term tailwinds at their backs.

The Lakes That Hold Giant Fish: Where we find stocks with massive upside

By Luke Lango

As a Daily 10X member, you can expect to see our stock ideas come from five major parts of the business world.

These industries all have different ways of creating value for their customers and shareholders, but the end results of success in any of them is the same: Massive upside gains.

Here are the stock market "lakes" we are fishing in:

Lake #1: Highly Scalable Technology Businesses

Thanks to the wealth creation magic of scalability, small technology businesses can grow large and generate huge shareholder gains faster than any kind of business.

Over the past 20 years, a new kind of aristocracy has taken power in the United States.

Members of this aristocracy make more money in one month than most people make in a lifetime. They don't wait in line at airports. They travel the country in private jets and helicopters.

Thanks to their private chefs, personal trainers, housekeepers, nannies, and personal assistants, they typically do whatever they feel like doing.

Because of their wealth, this group has incredible political influence. They can literally rewrite laws.

This new aristocracy consists of the founders, executives, and investors behind the world's top technology companies. Members of this exclusive club are the people behind businesses like Apple, Facebook, Amazon, Google, Twitter, Uber, and Netflix.

The highest-level members of this new aristocracy are worth tens of billions of dollars. Even a member on the lower rung can make over \$2 million a year. Most of them work in or near California's famous Silicon Valley.

Members of this upper class not only amass huge wealth, but they do it quickly. The new Silicon Valley aristocracy is full of twenty- and thirtysomethings worth hundreds of millions of dollars.

One month, a tech-smart college dropout is living with his parents and driving a used Hyundai. The next month, he's worth \$50 million and driving one of his three Ferraris.

The driver of all this new wealth?

Scalability.

The word scalability is repeated over and over in Silicon Valley for good reason.

A business must have scalability in order to grow large in a short time (that is, "Make you a ton of money quickly").

Scalability is the ability of a business to massively grow revenues while minimally growing the costs associated with producing those revenues.

For example, a lawn-mowing business is not scalable. If you own a lawn-mowing business and want to double in size, you'll have to buy twice as many lawn mowers as you have now, and you'll have to hire twice as many lawn-mower operators as you have now. Because of this, your revenue cannot soar far beyond your costs.

On the other side of the spectrum, you have social media businesses like Facebook and Twitter. These businesses are very scalable.

It took a lot of work in the early days to create the technologies and businesses behind Facebook and Twitter. But once they were created, these two businesses

could add new users and increase their advertising revenues much faster than they increased costs. Their market values exploded higher as a result.

They grew to huge sizes faster than just about any other kind of businesses in U.S. history.

Software companies are very scalable as well. A company like Microsoft must spend money and time creating and developing software like Office. But once the product is created, Microsoft can produce and sell additional copies of the software at minimal cost... so the company's sales can rise much faster than costs.

Don't get me wrong: Owners of non-scalable businesses (like a lawn-mowing business) can grow wealthy. Many people have done so in the past. Many people will do so in the future.

But if your goal as an investor is to own businesses that can make you a lot of money quickly, then you must focus a lot of your attention and capital on scalable technology businesses.

Just look at some of the gains that highly scalable technology businesses have generated for their shareholders over the past 20 years.

- Shopify, a leader in technology that helps small businesses get off the ground and operate, gained more than 2,000% after its 2015 IPO.
- Trade Desk, a leader in digital advertising technology, gained more than 1,200% after its 2016 IPO.
- CME Group, the popular electronic trading platform operator, gained more than 3,300% following its 2002 IPO.
- Broadcom Inc., a premiere semiconductor & software company, gained more than 2,000% from its 2009 IPO.
- Intuit Inc., the financial management & compliance software company, up 1,400% over the past two decades.
- Fiserv, Inc., another popular financial technology company, also up 1,400% over the last 20 years.
- Fortinet, Inc., a leading cybersecurity company, gained nearly 1,600% since its IPO in 2009.

One more thing about our search for technology stocks with massive upside potential: A technology business that can employ the network effect to generate wealth for shareholders is extra special to us.

Here's why...

How the Network Effect Works

The “network effect” is one of the most powerful wealth-creation forces on the planet.

The network effect occurs when each new user of a service or product increases the value of that service or product.

Take the telephone...

In its very early stages, the telephone wasn’t a hugely valuable invention.

That’s because only a few people had telephones.

If you had an early version of the telephone, you couldn’t talk to many other people.

After all... they didn’t have telephones!

However, once more and more people saw the value in telephones, they started buying more of them.

After a while, you could talk to dozens of people who had telephones instead of just two or three people with telephones.

What followed was a virtuous, self-reinforcing cycle.

The more people who had telephones, the more valuable the telephone network became.

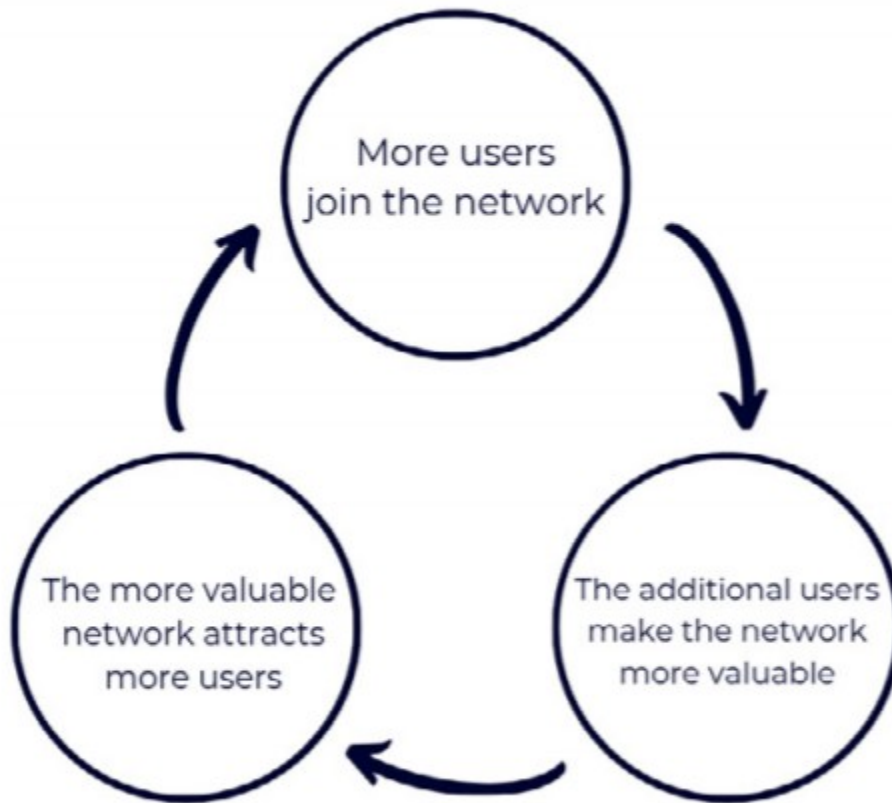
The more valuable the telephone network became, the more people bought telephones.

As even more people bought telephones, the telephone network became even more valuable...

And so on.

This kind of virtuous, self-reinforcing cycle is called a “positive feedback loop.”

Here’s what it looks like:



For another look at the network effect, let's turn to one of the biggest business success stories of our time: Google.

In the early 2000s, Google founders Sergey Brin and Larry Page developed the most efficient way of searching the Internet. Their service was far better than other early search engines.

As a result, lots of people wanted to use Google's search engine.

The more users Google attracted, the more people wanted to ensure their website was listed with Google.

The more people that had their website listed on Google, the better Google's search results got.

The better Google's search results got, the more users Google attracted.

In addition to serving Internet searchers, Google also developed a way to deliver targeted advertising.

For example, a person searching for vacation ideas was served with travel-related advertising.

The more people visited Google, the more advertisers wanted to advertise on Google.

The more advertisers Google had, the more targeted the advertisements became... which attracted even more users.

Google created a virtuous, self-reinforcing cycle that exploited the network effect to the tune of creating a company worth more than \$700 billion. Sergey Brin and Larry Page became two of the world's richest people.

Scalable technology and the network effect are the forces behind nearly all of the mega-successful technology winners of the past 20 years.

***Microsoft, which has generated 100,000% shareholder gains since its IPO, leveraged the network effect in a stunning fashion.

As more people used Microsoft programs like Word and Excel, more people wanted to use them to be compatible with friends and colleagues.

***Uber, which went public in 2019 at a giant \$82 billion valuation, is another great case study in the network effect.

The more users Uber attracted, the more drivers it attracted. The more drivers Uber attracted, the better it could serve customers. The better Uber served customers, the more customers it attracted.

This created a virtuous, self-reinforcing cycle that made its pre-IPO shareholders obscenely rich. Tech investor Chris Sacca turned a \$300,000 investment into more than \$1 billion with Uber.

***Or, take Facebook.

With every new user, Facebook became more valuable as a business.

As its social network's value increased, its new sign-ups increased. Millions upon millions of people signed up for Facebook because millions upon millions of other people were signing up for Facebook.

Facebook became popular because it was popular... and leveraged the network effect.

Early shareholders made more than 1,000 times their money.

***Amazon is another grand case study of the network effect creating stunning wealth in a short time.

As Amazon linked product sellers to product buyers, the usefulness of its online marketplace grew. As the value of the marketplace grew, more product sellers wanted in on it.

This drew in more consumers... which drew in more sellers... and so on.

The power of the network effect sent Amazon shares up more than 97,000% from its IPO and made founder Jeff Bezos the world's richest man.

By now, you can see the golden thread here. You can see how scalable technology businesses that leverage the network effect can make their shareholders rich in relatively short time frames.

If you want to make a lot of money quickly in the stock market, you'd be wise to devote a good portion of your focus and capital on them.

Daily 10X Mandate #1:

Because technology businesses can be highly scalable (especially when they can employ the network effect), they can grow and generate shareholder wealth faster than any kind of business. That's why one of our mandates at Daily 10X it to make sure you know about EVERY small technology business with massive upside potential.

Lake #2: Huge Health Care Breakthroughs

Since health care is a MULTI-TRILLION DOLLAR business, drug, treatment, and device breakthroughs can send healthcare stocks soaring 1,000s of percent

In the wake of the 2008 financial crisis, the term "stress test" became a common phrase in the mainstream media.

Since America's biggest banks took on insane leverage with packages of toxic mortgages, they deservedly got blamed for cooking up the biggest financial crisis since the 1930s.

So, post-2008, America's biggest banks were continually monitored and "stress tested" to ensure they weren't putting the country's economic health at risk. Now, when most investors hear "stress test," they think big banks.

However, most investors know nothing about another major stress test that occurred during the 2008 financial crisis. It's one that can lead you to some of the most profitable investments of your life.

In June 2014, the healthcare industry celebrated its 121st consecutive month of hiring growth... a streak that dated back to 2003 and includes the horrific business year of 2008.

That's right. Even in the midst of the biggest financial crisis since the Great Depression, the healthcare industry continued to grow and add jobs.

In other words, the healthcare industry not only survived but thrived during the U.S. economy's huge 2008 financial crisis.

You probably know why the healthcare industry did so well while most every industry was doing so poorly. Baby Boomers – those born between 1946 and 1964 – are entering their graying years. In 2011, the first round of Baby Boomers hit age 65. Now, more than 10,000 Baby Boomers retire per day.

According to projections from the U.S. Census Bureau, the number of people older than 65 will grow from 43 million in 2012 to 84 million in 2050.

This giant, carved-in-granite trend is one of the most important economic forces of our lives. It is driving more than \$3.6 trillion per year in American healthcare spending, or about 18% of our entire GDP.

When this ocean of money sloshes around, the dollar value of even the smallest ripples are huge... and a tremendous source of financial opportunities.

And slosh it will. Spending on healthcare is expected to grow 64% to reach \$6 trillion annually by 2027.

And think about it: People are very willing to spend LOTS of money on drugs, treatments, and medical devices that increase the quality and quantity of their years.

That's why true breakthroughs in biotechnology, medical devices, and health care treatments are a source of massive "small company grows huge" stories.

Just take a look at these incredible small cap success stories from the past 30 years:

- Robotic surgery device maker Intuitive Surgical gained more than 9,000% after its 2000 IPO.
- Genetic testing leader Illumina gained more than 1,500% after its 2000 IPO
- Gilead Sciences, now a \$100 billion biotech, rocketed 13,500% from its 1992 IPO.
- Regeneron Pharmaceuticals, a leader in the drug development space, gained 2,300% since its IPO in 1991.
- Vertex Pharmaceuticals, which specializes in therapies to treat cystic fibrosis, exploded higher by over 5,300% since debuting in 1991.
- The leading biotech focused on neurological and neurodegenerative diseases, Biogen Inc., has soared a massive 11,100% since its IPO 29 years ago.
- Seattle Genetics, Inc., which specializes in cancer treatments and therapies, has jumped 1,300% since 2001.

Daily 10X Mandate #2:

Since medical breakthroughs – in the forms of drugs, treatments, or devices – can help so many people and generate so much revenue, one of our mandates at Daily 10X is to make sure you know about EVERY small health care business with massive upside potential.

Lake #3: The R&R Strategy

In America, the land of consumption, hit retail and restaurant concepts can spread like wildfire, massively grow in size, and generate massive returns for shareholders

“R&R” investing is one of the most powerful wealth-building strategies on the planet.

Have you ever heard of it?

If not, you’re in good company. We’ve never seen a whole book about it, and it doesn’t get a whole lot of attention.

But when the R&R strategy works as planned, 50-to-1 payouts are possible.

That’s \$150,000 for every \$3,000 invested.

When we say R&R, we’re not talking about rest and recreation.

We’re not talking about rock n’ roll either.

We're talking about "Retail and Restaurants" investing.

We know that may not sound as exciting as investing in high-tech businesses, but the stock market gains generated by successful retail and restaurants can be so big they almost seem made up.

In America – the land of consumption – few types of businesses are able to generate massive customer demand and massive revenue growth in as short a time as retailers and restaurants.

When people go wild for a hit retail or restaurant concept, the sky is the limit for the businesses behind them. A concept that works in 10 locations can often be applied to 1,000 locations, which generates incredible growth.

Any history of American business success has to include a large section devoted to retailers and restaurants. Our favorite stores and places to eat tend to get woven into some of our best memories.

Offer Americans the opportunity to buy what they want – when they want it – and you have a very good shot at getting very rich.

The obvious R&R winner of the recent past is Amazon, which has disrupted retail and other businesses. Its stock is up more than 80,000% since its 1997 IPO (that gain turns a \$5,000 investment into about \$4 million!)

We also have legendary retail success Home Depot. Its stock climbed more than 3,700% in the 1990s.

And then you have mega-successful retailer Walmart, which changed the way Americans shop forever. The stock is up over 10,000% since it went public nearly 50 years ago.

Here are some other incredible "R&R" winners:

- McDonald's, the classic example of an R&R winner, up an astounding 100,000% over the past half-century.
- Chipotle Mexican Grill, the popular fast-casual restaurant chain, up 1,500% from its IPO in 2006.
- Lululemon, the athletic apparel company, up 1,300% from its IPO in 2007.
- PetMed Express, the leading pet pharmacy company in the U.S., up 1,500% from its 2000 IPO.
- Costco, another company that changed the way Americans shop, up 3,600% since its IPO 35 years ago.

Daily 10X Mandate #3:

Since hit retail and restaurant concepts can spread like wildfire, grow massively, and generate huge gains for shareholders, one of our mandates at Daily 10X is to make sure you know about EVERY small R&R stock with massive upside potential.

Lake #4: Small Natural Resource Stocks with Massive Potential Upside

More so than most any asset class, natural resources like oil, copper, corn and coffee go through huge booms and busts. These huge moves can be traded for huge profits.

On June 18, 2014, the price of crude oil traded for \$106 a barrel. Less than two years later, the price had plummeted 73% to \$28 per barrel.

After reaching the \$28 per barrel, oil then soared 88% in less than six months.

The value of your house never goes through massive price swings like that. Neither do government bonds or blue chip stocks.

But the prices of natural resources like oil, copper, natural gas, coffee, corn, cotton, and silver regularly experience massive price booms and busts.

One year a resource like coffee, oil, or corn will soar 75% in value. The next year, it will plummet 50% in value.

Because natural resources cycle through big booms and big busts, they are called “cyclical” assets.

Lots of things in our world move in cycles.

The planets revolve around the Sun in cycles. The weather moves in cycles.

You also see cycles in the financial markets... especially in the natural resource industry.

Understanding why natural resources are cyclical can make you 10... 20... even 30 times your money in small cap natural resource stocks.

The cyclicity of natural resources is in contrast to “non cyclical” businesses like those that sell food, mouthwash, diapers, and toilet paper.

Demand for everyday things is relatively constant. No matter what is happening with the economy, you're probably going to eat lunch, go to the bathroom, and change diapers if you have a baby.

The prices of natural resources, however, are extremely cyclical. Their huge price moves produce huge opportunities to make money in the stock market.

For example, in the year 2000, shares in the big uranium mining company, Cameco, traded for \$1.78 per share. Seven years later, Cameco shares increased in value by 3,100% and reached \$55 per share.

Shareholder gains like that are possible in natural resources because of their unique supply/demand dynamics. When the price of a natural resource soars, it encourages lots of new production. Natural resource producers will want to profit from the high prices.

For example, if wheat soars in price, farmers will plant a lot more wheat. If oil soars in price, oil companies will produce a lot more oil. This response to high prices leads to an increase in the supply of the natural resource.

The soaring price also encourages consumers of that resource to cut back on consumption and find cheaper replacements.

For example, if gasoline were to triple in price, you're more likely to cut down on car trips or take the train. If the price of copper soars, contractors will try to find cheaper alternatives. This response to high prices leads to a decrease in demand for the natural resource.

When the supply of a natural resource INCREASES and demand for it DECREASES, you get plummeting prices. You get a bust. In other words, *a bull market in a natural resource eventually writes its own death warrant.*

When a boom ends, it's not unusual to see the value of a natural resource plummet in a short time. Remember, the price of oil plummeted 73% in less than two years.

A natural resource boom is the mirror image of a natural resource bust.

When the price of a natural resource is very low, it discourages production.

After all, why ramp up production if the price is in the basement?

The farmers who planted as much wheat as they could when prices were sky high will plant a lot less wheat if prices are low. The oil companies that produced as much oil as possible when prices were high will produce less if prices are low.

Low prices also encourage consumption. For example, if the price of gasoline plummets, you're probably going to drive more.

When the supply of a natural resource goes down and demand goes up you get a boom. In other words, a bear market in a natural resource eventually sets the table for a resource bull market.

The copper market over the past 30 years provides a good example of this.

In the 1990s, the price of copper was very low. This led to a decrease in production. Meanwhile, demand for copper soared because it was cheap.

This "increase demand/decrease supply" dynamic sent the copper price soaring from \$0.75 per pound in 2003 to nearly \$4 per pound in 2008 (a 400%+ gain).

When a natural resource moves in price, the share prices of natural resource producers move as well... only they often stage larger moves than the resource price itself.

During the huge 2003 - 2008 copper rally, the big copper company Freeport-McMoRan skyrocketed from \$8 per share to nearly \$62 per share during this time (a 675% increase).

By now, you surely see what the smart move here is for stock market investors. We want to invest in individual resource markets when prices are cheap and depressed, yet set to spring higher. This set up led to the 675% gain in Freeport McMoRan... and the 3,100% return in Cameco.

To make big gains in natural resource stocks, we have to buy assets after bear markets... when they are very cheap and depressed.

Up 1,000%+

Down 90%+

Shares of "regular stocks" simply don't move like that. And that's why it's possible to make a lot of money quickly in natural resource stocks. Just look at some of these returns from the past 30 years...

- Diamondback Energy, a top North American oil company, soared 400% in less than two years after its 2012 IPO.
- Kirkland Lake Gold, a \$10 billion player in the gold-mining space, is now up 1,600% since its debut in 2015.

- Pioneer Natural Resources, the independent oil & gas exploration and production company, returned over 1,000% in just five years from 2009 to 2014.
- Cabot Oil & Gas took advantage of the fracking boom and generated a 300% return in just three years between 2011 and 2014.
- Archer-Daniels-Midland, the farm products company focused on agricultural commodities, jumped nearly 100% in just two years between 2013 and 2015.
- Ethanol producer Green Plains Inc. has seen its share of ups and downs, but it gained over 1,200% between 2009 and 2015.

By taking early positions when natural resources are cheap and poised to boom, it's possible to make hundreds – even thousands of percent gains in natural resource stocks.

Daily 10X Mandate #4:

Since natural resources are deeply cyclical and can stage huge upside moves, a smart investor watches this industry closely. One of our mandates at Daily 10X is to make sure you know about EVERY small natural resource stock with massive upside potential.

Lake #5: The Hypergrowth Grab Bag

Some businesses with huge upside potential don't fit neatly into the four areas described above. However, they operate in "hypergrowth" industries that have gale-force tailwinds at their backs... and the potential to make shareholders rich. We place these stocks in a "catch all" category called the Hypergrowth Grab Bag.

When it comes to explaining "hypergrowth" investment, there's no one better than legendary hypergrowth investor Matt McCall, editor of *Matt McCall's Investment Opportunities* and Daily 10X contributor.

Here's Matt on this fascinating and lucrative subject...

Hypergrowth Investing: Like Regular Investing... on Steroids

In the 1990s, the investment industry and its customers went wild for "style labels."

A style label describes a money manager's investment approach.

A key part of Wall Street's labeling system is whether a money manager is a "value investor," a "growth investor," or is somewhere in between.

A value investor tries to buy companies at cheap valuations relative to their earnings and physical assets.

A growth investor focuses less on paying cheap prices... and instead is willing to pay higher valuations to own dynamic, growing companies.

A money manager's style earns him or her the label of a "growth investor," a "value investor," or somewhere in between.

However, my absolute favorite investment strategy doesn't conform to mainstream conventions. It's like a "missing label" in the Wall Street world.

I call this investment strategy "Hypergrowth Investing."

And it's the absolute best way to turn small amounts of money into life-changing wealth.

The definition of Hypergrowth Investing is simple: It's the investment of money into industries and businesses poised to grow at least 10 times (and often 100 times) in size.

Recent hypergrowth investment opportunities include the building of the Internet in the 1990s... the production of electric vehicles in 2011... online retail businesses in 2005... smartphones in 2009... and legal cannabis in 2014.

Hypergrowth Investing can allow you to make 5, 10, even 50 times your money on a single stock.

Hypergrowth Investing is a strategy that gets you into massive stock market winners like Amazon very early in their lifecycles.

This can result in life-changing wealth.

For example, Amazon returned early investors a stunning 86,000% from its 1997 IPO 1997 through mid-2019.

That kind of gain turns every \$10,000 invested into more than \$8.6 million.

Hypergrowth Investing is also how investors made more than 10,900% in genetic testing firm Illumina... 6,400% in streaming firm Netflix... 6,500% in clothing retailer Lululemon... and more than 100,000% in software leader Microsoft.

Think about how your life would change if you turned a \$10,000 investment into \$8.6 million.

As you can imagine, it only takes ONE big win like that to radically change your finances.

You see, conventional growth investors are often happy to invest in industries that have the potential to double, triple, even quadruple in size.

And that's a reasonable thing.

Owning stocks in an industry that doubles, triples, even quadruples in size can double, triple, and quadruple your money over a long time span.

However... for a real Hypergrowth Investor, an industry quadrupling in size simply won't cut it.

It's not dynamic enough. It doesn't have enough potential.

That's because a real Hypergrowth Investor has much higher ambitions for his or her money.

A Hypergrowth Investor invests in industries and businesses with the potential to grow 10, 20, 50, even 100 times their current size.

You can think of Hypergrowth Investors are the grand slam home run hitters of the investment world.

Now, if you're new to the concept of Hypergrowth Investing, all that might sound outlandish or impossible.

But if you study American business history, you'll find it is chock full of industries and businesses that generated those kinds of returns for early investors.

If you study business history, you see that life-changing returns like the ones I just mentioned are actually quite common in businesses and industries that change our world.

For example...

***During the 1990s, a radical new way of communicating and sharing data called "the Internet" took the world by storm.

From 1995 to 2000, the number of people using the internet soared 23-fold. Cisco, a key maker of internet infrastructure equipment, climbed 31,671% during the 1990s. That kind of gain turns a modest investment of \$5,000 into \$1.6 million.

***From 2011 to 2019, electric vehicle sales in the U.S. soared 20-fold.

Shareholders of top electric vehicle maker Tesla rode this boom to 1,200% gains.

***From 2008 to 2018, the number of people using social media climbed 44-fold.

Shareholders of Facebook rode this boom to make more than 900% from late 2012 through mid 2018.

***From 2007 to 2016, the number of people using Netflix's streaming service soared more than 10-fold.

This growth allowed early Netflix investors to make a stunning 6,400%.

10-Fold and 100-Fold Growth Happens More Often Than You Think

I've been in the investment business a long time.

I've spoken at more than a 100 conferences... I've made more than 1,000 television appearances... and my Investment Opportunities newsletter is one of the most widely read research services in America.

So you can imagine all the funny looks I get when I talk about industries with the potential to grow 100-fold... and hand investors 100 fold returns.

You see, most financial advisors will remind you the stock market climbs an average of 7% per year.

They'll say you're lucky to make two or three times your money on a stock.

And most mutual fund managers are thrilled to invest in industries with the potential to grow 3 or 4 times their current size.

But I'm talking about 100-FOLD growth.

That's so far from the norm it's not even funny!

When I talk about investing in industries and businesses with 100-fold growth potential, people look at me like I've lost my mind.

But as I mentioned above, if you American business history, you'll find it's chock full of industries and businesses that enjoyed 100X growth and handed investors millions and billions of dollars.

Below is a list of industries, products, or services that have experienced 100-fold growth from their early days:

- Electric vehicles
- Legal cannabis
- Cloud-based software services
- Connected devices globally
- Genetic testing
- Robotic surgeries
- Ride sharing rides
- Cellular phone chips
- Media streaming accounts
- Social media accounts
- S. Internet usage
- Single serve coffee makers
- Residential solar installations
- Online retail sales
- Discount retail brokerage accounts
- Smartphones
- Web searches
- Energy drinks
- Meatless burgers
- Starbucks locations
- Payments made on mobile devices
- Data center chips
- 5G equipment
- Wearable health tracking devices
- Grocery deliveries
- Military robots
- AI-driven customer service software
- Blockchain-enabled data transfers
- Smart speakers
- Cybersecurity software packages
- Secure online contract signatures
- Drones
- Smartphone video games
- Autonomous vehicle equipment
- 3D printers

And get this: these examples *are just from the past 30 years!*

Industries grow more than 100-fold in size quite often in America.

Industries make their early shareholders millionaires and billionaires quite often in America.

That's what mainstream financial advisors don't get... or don't want to get.

You see, it's way, way less work to just stick a client's money in simple stock and bond index funds. That gives advisors plenty of time to play golf.

It's a lot harder to do the kind of deep research that uncovers 100X opportunities.

But as I just showed you, industries and businesses grow 100X all the time in America.

If you ask me, that's what makes America great.

Now that you understand how often 100X growth opportunities happen in America, I'd need share the absolute most important part of generating life changing wealth from these awesome events.

I call this part of your strategy, "The Ground Floor Phenomenon."

How the Ground Floor Phenomenon Works

Every industry you've ever heard of had to start at zero.

From cars to airplanes to computers to online retail, every new industry starts at zero.

If a new industry didn't start at zero, it wouldn't be a new industry, right?

Let's say an industry starts at zero and then eventually grows to generate \$120 billion in annual revenue.

That makes it a relatively small industry in America.

If you buy an investment stake in that future \$120 billion industry when it's generating only \$20 billion in revenue, you'll be on board for 6-fold growth.

120 divided by 20 is 6.

That's good, but not great.

If you get into the industry when it's generating only \$10 billion in revenue, you'll be on board for 12-fold growth.

120 divided by 10 is 12.

Now... picture you don't stake your claim when the industry is at \$20 billion or \$10 billion.

Picture you get in *on the Ground Floor... when the industry is just \$1 billion in size.*

That's 120-fold growth!

That's the power of getting in on the ground floor.

That's the power of getting in FIRST.

That's the key to making the elephant sized "Hypergrowth" investment returns like those made by early Amazon, Microsoft, and Illumina investors.

Again: The key to making giant Hypergrowth investment returns is to get in on the ground floor... when the industry is tiny.

Most mainstream financial advisors will tell you getting in on the ground floor of an industry poised to grow 100-fold is impossible.

But tell that to the thousands and thousands of early stage investors that see 100-fold industry growth and shareholder returns ALL THE TIME.

As I write this in 2020, most hypergrowth opportunities are found in the technology and health care industries, which were previously mentioned. However, industries like legal cannabis and legal sports betting will offer you huge investment opportunities as well. You'd be wise to watch these areas in the future.

Daily 10X Mandate #5:

Some businesses with huge upside potential don't fit neatly into technology, healthcare, natural resources, retail, or restaurants. However, they operate in "hypergrowth" industries that have gale-force tailwinds at their backs... and the potential to make shareholders rich.

We place these stocks in a "catch all" category called the Hypergrowth Grab Bag. One of our mandates at Daily 10X is to make sure you know about EVERY small hypergrowth stock with massive upside potential.

The World's Best "Cheat Sheets" for Finding Stocks with Massive Upside Potential

By Luke Lango

Today's investor is swamped with information, offers, opinions, and different strategies.

For someone with a family and a full time job, it can be impossible to sift through all the information out there and find great stock ideas.

Fortunately, there's a group of incredible investment minds with long track records of success that will share their top stock ideas with you for free.

In addition to having great track records, these investors have the highest-level contacts in industry and government. They use the world's most powerful computers to sift through vast amounts of data. And they can tap giant research budgets to send professional stock analysts all over the world in search of an information edge.

Again, these successful, highly connected, and deep pocketed investors will share their best ideas with you for FREE.

All you have to do is read their "13-F" filings.

At the Daily 10X, one of our goals is to pass along insight and actionable ideas from the world's best investors.

Every quarter, these professional money managers file reports on which stocks they've recently purchased (or sold). Government regulations require them to do so.

Given all this, we'd be fools not to "look over their shoulders" for stock ideas. Reading 13-F reports is a way to get millions of dollars' worth of research and actionable ideas for free.

That's why as a Daily 10X member, you can expect to learn all about the best small cap stocks owned by the world's best investors.

You'll receive analysis on small cap stocks owned by extremely skilled investors like Seth Klarman, David Einhorn, Dan Loeb, and Chase Coleman.

You don't have to sift through dozens of 13-F filings.

We'll do the work for you... and pass along high quality small cap stock ideas owned by the world's best investors.

Why We'll Feature the World's Top "High Momentum" Stocks

By Luke Lango

As a Daily 10X member, you can expect to learn about and have the chance to profit from small stocks with what's called "high momentum."

This is because small caps with "high momentum" can produce incredible profits for smart stock traders.

Among Wall Street professionals, when a stock has high momentum, it means the stock has recently enjoyed a large price increase.

For example, take three stocks, Stock A, Stock B, and Stock C.

Stock A has climbed 5% over the past 12 months.

Stock B has climbed 10% over the past 12 months.

Stock C has climbed 50% over the past 12 months.

In this example, we'd say Stock C has the "strongest" or "highest" momentum.

Over the years, legendary traders like William O'Neil and David Ryan (both featured in the book *Market Wizards*) have made millions upon millions of dollars trading "high momentum" stocks.

The basic idea behind this strategy is very simple and very powerful: You find stocks with super strong earnings growth and super strong share price momentum and "jump on" for the ride.

If the stock's momentum continues, you make hundreds of percent gains.

If the stock's momentum fades, you get out... and look for the next ride.

Here's why it's important to find "momentum stocks" with blazing earnings growth...

When you buy a stock, you buy a partial ownership stake in a real business. You own a small slice of that company's patents, real estate, cash flows, inventory, and equipment.

You become financially exposed to both the company's upside and downside.

The major drivers of a stock's prices are revenue and earnings. The more a company grows its revenue and earnings, the more its shares will be worth.

Stock price trends can diverge from revenue and earnings trends for a while, but over the long-term, if a company grows and grows the amount of cash it takes in, its share price is sure to head higher. That's just how the market works.

And that's why if you're looking for stocks with huge upside potential, you should focus on the companies with high revenue and earnings growth.

This is extremely important, so let's go over it again: Stocks are driven by revenues and earnings.

If a company takes in more and more money, its shares will be worth more and more. That's why traders looking for high momentum stocks with huge upside potential should focus on companies with high revenue and earnings growth.

(Or, since some small fast-growing companies don't earn profits in their early days, we should look for companies with high revenue growth and the prospect of high earnings growth in the future.)

For example, the popular athletic clothing company Under Armour went public in 2005 at \$6.32 per share (adjusted for splits and dividends).

At the time, it generated \$281 million in sales and \$17 million in earnings. Over the next nine years, the public went wild for Under Armour clothing. Under Armour grew its sales to \$3.1 billion and its earnings to \$208 million.

Shares responded to this huge business growth by appreciating from around \$6 to \$70... a gain of 972%.

Another excellent example is the restaurant chain Chipotle.

In 2006, Chipotle went public at \$22 per share (although it climbed to \$50 within a couple months). At the time, it generated \$628 million in sales and \$38 million in earnings.

Over the next nine years, people fell in love with Chipotle's brand of high-quality fast food. Chipotle grew its revenue to \$4.1 billion and its earnings to \$450 million. Shares responded to this growth by climbing from \$50 to \$650... an incredible gain of 1,200%.

American corporate history is filled with these success stories...

There's Nike, Google, Disney, Walmart, Starbucks, Microsoft, Home Depot, Cisco, Whole Foods, Amgen, Apple, Charles Schwab, Oracle, Target, Visa, and CarMax, just to name a few.

As we write this in 2020, these companies are industry-leading giants. But they all started small. And early investors made gains of more than 1,000% on the path of growth.

As Oracle, Amgen, and Microsoft massively grew revenue and earnings, each generated more than 4,000% returns in the 1990s.

A 4,000% gain is a 40-to-1 return on your money.

It can turn a \$25,000 investment into \$1,000,000.

That's the power of investing in a small company that massively grows its revenue and earnings.

I could provide many more examples of America's greatest corporate success stories and the stock gains they generated. But you get the basic idea: Huge revenue and earnings growth leads to huge share price growth and strong momentum

That's why, when looking small stocks with massive potential upside we screen for companies with those attributes. We identify America's fastest-growing companies with strong momentum and get on board for the ride.

The "momentum" plays you'll learn about in the Daily 10X will often look and feel a lot like RingCentral did on January 1, 2017.

Back in 2016, RingCentral emerged as one of the world's leading publicly-traded providers of "all in" business communication solutions. It provides services related to conference calls, video conferencing, company directories, voice mail, and document sharing.

Thanks to booming demand for its services, RingCentral posted blistering revenue growth in 2016 and 2017.

On January 1, 2017, RingCentral traded for around \$21 per share. Over the next year, the stock climbed 133% to reach \$49 per share.

Below is what RingCentral's 2017 stock chart looks like. It's the very picture of a "high momentum" stock.



Traders who jumped on this fast moving train at \$49 could have enjoyed a very profitable ride when RingCentral's stock climbed another 100% to hit

\$108 April 2019... and then went on to soar all the way up to \$164 per share later that year (a 234% gain from the \$49 level).

Here's how that momentum trade worked out:



As you can see, trading “high momentum” stocks like RingCentral is like hopping on a fast-moving train.

If the train continues its momentum, you sit back, enjoy the ride, and rack up capital gains.

If the train slows down and loses its momentum, you get off and get on the next fast moving train. In the stock market, there's always another fast-moving train coming around the bend. It will come in the form of a small, innovative company with blistering growth.

How to Tilt Risk vs. Reward in Your Favor as a Small Stock Investor

By Luke Lango

Small cap companies offer the opportunity to make huge returns.

But these companies are relatively new and relatively small compared to giant blue chip stocks like McDonald's and ExxonMobil.

Small companies don't have entrenched business positions.

They're often competing with big companies with deep pockets.

Therefore, they carry greater risks and greater volatility.

Risk and volatility are two words that make investors wary. But the good news is two simple tools can help massively tilt the Risk vs. Reward odds in your favor.

These tools are position sizing and stop losses.

Below, I'll explain how these two risk-limiting tools can help you consistently win in the stock market.

How Position Sizing Can Help You Make Big Money in the Stock Market

Most of us have been there...

You learn about a company with stunning growth potential.

The upside is more than 500%.

So, you buy A LOT of the stock. You want to truly capitalize on the opportunity.

And then, things don't work out.

The company doesn't execute. Instead of its market value soaring 500%, its market value falls 30%.

You've lost way more money than you're comfortable losing. It's an embarrassing and painful experience.

This is where smart position sizing comes in.

Position sizing is the part of your investment strategy that dictates how much of your investable assets you will place an investment or a trade

For example, suppose an investor has a \$500,000 net worth.

If this investor buys \$5,000 worth of a business, his position size would be 1% of his total capital.

If the investor buys \$50,000 worth of the business, his position size is 10% of his total capital.

If the investor buys \$200,000 worth of the business, his position size is 40% of his total capital.

Many folks think of position size in terms of how many shares they own of a particular stock or investment.

But a smart investor thinks in terms of what percentage of her net worth is in a particular holding.

Position sizing is one of most important ways you can protect yourself from what is known as the "catastrophic loss."

A catastrophic loss is the kind that erases a huge chunk of your net worth.

It's the kind of loss that ends careers and ruins retirements.

Most catastrophic losses occur when an investor takes a much larger position size than he should. He'll find a stock he's really excited about, he starts dreaming of the potential profits, and then he makes a huge bet.

He'll place 20%, 30%, 40% or even 100% of his account in that one idea.

He'll "swing for the fences" and buy 2,000 shares of a stock instead of a more sensible 300 shares.

When the investment doesn't work out, he gets killed.

An investor who starts with \$100,000 suffers a direct, catastrophic 80% loss and is left with \$20,000.

It takes most people years to make back that kind of money.

But the less obvious, indirect damage is worse than losing money. It's the mental trauma of taking such a huge loss... and feeling like a failure.

Some people never recover from it. They see years of hard work and savings flushed down the toilet.

Most world class investors say never put more than 10% of your account into any one position. Some professionals won't put more than 5% in one position.

Seasoned investors vary position sizes depending on the particular investment.

For example, when buying a safe, cheap dividend stock, a position size of up to 3% may be suitable.

Some managers who have done a lot of homework on a stock and believe the risk of a significant drop is tiny will even go as high as 10% or 20% – but that's more risk than the average person should take on.

If you're investing money into a startup business, a speculative stock, an option position, or anything else that is on the riskier end of the spectrum, the answer to *"How much can I lose?"* is usually, *"Every single dollar."*

That's why speculative investments – like small cap stocks – are best played with tiny amounts of your capital.

Let's say you're buying a speculative gold-mining stock or a speculative tech company with just one potential "big hit" product.

With speculative investments, there is always the possibility that you could lose 100% of your money.

So, you want to use a tiny position size.

Generally, you don't want to place more than 0.5% or 1% of your net worth portfolio into a speculative investment.

That way, if the situation works out badly, you only lose a little bit of money. You certainly don't want to put 5% or 10% or 25% of your net worth into a speculative investment. It's way too risky.

Unfortunately, most novices will risk three, five, or 10 times as much as they should in speculative investments.

It's a recipe for disaster.

If the investment doesn't work out as planned or if the broad stock market suffers a big correction, a big position in a speculative investment causes a big hit to a person's overall wealth.

When in doubt, always dial down your position size. It will help you avoid catastrophic losses.

When you start as an investor or trader, you're as bad as you're going to get. So take legendary traders Bruce Kovner's advice and "under trade, under trade, under trade."

Make much smaller investments than your emotions want you to make.

Make small investments to get the hang of things. If you have \$10,000 to get started as an active investor, set aside \$7,000 and invest with \$3,000 for the first six or 12 months.

But even after going through a training period like this, it's tough to learn not to lose money unless you actually feel the pain of losing a lot of money.

It took me touching several very hot stoves and suffering several big losses early on in my career before I learned this.

In summary: If you want to succeed in the stock market, you must learn how to win big by betting small. Focus on using smart position sizing to avoid the catastrophic loss.

Focus on limiting your downside and the upside practically takes care of itself!

How Stop Losses Can Work Hand in Glove with Position Sizing

Position sizing is a key part of tilting the risk vs. reward odds in your favor.

Marrying this powerful tool with something called "stop losses" can tilt the odds even more in your favor.

A stop loss literally “stops a loss.”

It’s a predetermined point at which you will sell a stock if it declines to a certain level.

It’s your “uncle” point where you say, “Well, I’m wrong about this one, time to cut my losses and move on.”

Let’s focus on the word “predetermined” for a second. It’s important.

A stop loss is a predetermined point at which you will sell a stock.

It is planned in advance.

By having a plan in place to exit a stock if it declines to a certain level you ensure that you’re not trying to come up with your exit plan in the heat of battle... you’re not coming up with your plan on the fly.

“On the fly” decisions are heavily influenced by emotions. Emotional decisions are almost always of lower quality than decisions you make while you’re calm.

Stop losses allow you to plan the trade... and trade the plan.

Here’s how they work...

Some top traders use stop losses that are calculated with a percentage of the price you pay for a stock.

For example, let’s say you buy a stock at \$10 per share and use a 25% stop loss.

If the stock declines to \$7.50, you’d sell and cut your loss short. No questions asked.

Or, let’s say you buy a stock at \$50 per share and use a 50% stop loss.

If the stock declines to \$25, you’d sell and cut your loss short.

Generally speaking, a stop loss of 5% is considered a “tight stop”- that is close to your purchase price - and a 50% stop loss is considered a “wide stop” - that is a long way from your purchase price.

When it comes to investing in small cap stocks, we recommend you use stop loss percentages that are closer to wide (25% - 50%) than tight (5%).

Small caps are typically more volatile than large blue chip stocks, so it's a good idea to give them a lot of "wiggle room" to move around before they can head higher and produce profits for you.

You can even consider employing a 100% stop loss with speculative small cap stocks.

That's right... *you can buy a stock and be willing to ride it to zero.*

But here's the thing...

Not using a stop loss DOES NOT have to mean you're taking more financial risk than someone who is using a 25% or 50% stop loss.

You simply have to smaller position sizes.

For example, a \$5,000 position with no stop loss carries the same risk as a \$10,000 position with a 50% stop loss. *The amount you have at risk is the same.*

If you follow a "no stop loss" policy, you should take smaller positions than you normally would.

If you normally place \$10,000 in a position with a 50% stop loss, go with a \$5,000 position and no stop loss.

If you normally place \$10,000 in a position with a 25% stop loss, go with a \$2,500 position and no stop loss.

Some sectors of the market are extremely volatile, so they lend themselves to "*no stop loss, but small position size*" trade management strategies.

For example, many small cap biotechnology stocks are extremely volatile.

They often don't have revenue or earnings, only some cash to fund the prospect of developing hugely valuable medical treatments. Because of this, their share prices can fluctuate wildly based on clinical results, negative press, or swings in investor sentiment.

For this reason, it can make a lot of sense to use a "*no stop loss but small position size*" trade management strategy with biotech positions.

How to Combine Position Sizing and Stop Losses to Create a Powerful Investment Program

Combining intelligent position sizing with stop losses can help ensure a lifetime of investing success.

To do this, we need to get familiar with the concept many people call “R.”

“R” is the value you will “risk” on any one given investment.

It is the foundation of all your position-sizing strategies.

For example, let’s return to the example of the investor with a \$100,000 account.

We’ll call him Joe.

Joe believes company ABC is a great investment, and decides to buy it at \$20 per share.

But how many shares should he buy?

If he buys too many, he could suffer a catastrophic loss if an accounting scandal strikes the company.

If he buys too little, he’s not capitalizing on his great idea.

Here’s where intelligent position sizing comes into play.

Here’s where the investor must calculate his R.

R is calculated from two other numbers. One is total account size. In this case, it’s \$100,000.

The other number is the percentage of the total account you’ll risk on any given position.

Let’s say Joe decides to risk 1% of his \$100,000 account on the position.

In this case his R is \$1,000.

If he decided to dial-up his risk to 2% of his entire account, his R would be \$2,000.

If he was a novice or extremely conservative, he might go with 0.5%, or an R of \$500.

Joe is going to place a 25% protective stop loss on his ABC position.

With these two pieces of information, he can now work backwards and determine how many shares he should buy.

Remember... Joe's R is \$1,000, and he's using a 25% stop loss.

To calculate how large the position will be, the first step is to always divide 100 by his stop loss.

In Joe's case, 100 divided by 25 results in four.

Now, he performs the next step in figuring his position size. He takes that number – four – and multiplies it by his R of \$1,000.

Four times \$1,000 is \$4,000, which means Joe can buy \$4,000 worth of ABC stock... or 200 shares at \$20 per share.

If ABC declines 25%, he'll lose \$1,000 – 25% of his \$4,000 – and exit the position.

That's it. That's all it takes to practice intelligent position sizing.

Here's the calculation again:

100 divided by your stop loss equals "A."

"A" multiplied by "R" equals position size.

Finally, position size divided by share price equals the number of shares to buy.

Now... what if Joe wants to use a tighter stop loss – say 10% – on his ABC position?

Let's do the math...

100 divided by 10 equals 10.

10 multiplied by \$1,000 equals \$10,000.

\$10,000 divided by the same \$20 share price equals 500 shares.

So you can see that using a tighter stop loss with the same R allows Joe to buy a larger number of shares, while risking the same amount of his total account... \$1,000.

Next, let's say Joe wants to use a super-tight stop loss of just 5% on his position.

In this case, if ABC declines just 5% to \$19 per share, he's out of the trade.

This tighter stop loss means he can buy even more shares.

Let's do the math again...

100 divided by 5 equals 20.

20 multiplied by \$1,000 equals \$20,000.

\$20,000 divided by the \$20 share price equals 1,000 shares.

Again, a tighter stop loss with the same R of \$1,000 means he can buy twice as many shares and still risk the same amount of his total account.

As you can see, you can use the concepts of position sizing and stop losses to determine how much of any asset to buy... from crude oil futures to currencies to small caps to Microsoft.

If you're trading a riskier, more volatile asset, the stop-loss percentage should typically increase and the position size should decrease.

If you're investing in a safer, less volatile asset, the stop-loss percentage should decrease and the position size should increase.

And like I mentioned earlier, a good, "middle of the road" R that will work for anyone is 1% of your total account.

Folks new to the trading game would be smart to start with half of one percent of their account.

This way, you can be wrong 10 times in a row and lose just 5% of your account.

Again, the most important thing intelligent position sizing and stop losses do for you is keep you from suffering the catastrophic loss. The golden rule of stock trading is, *"Cut your losers and ride your winners."* Intelligent position sizing ensures you always follow the golden rule.

Smart Position Sizing + Smart Stop Losses Equals... The Babe Ruth System of Achieving Huge Success

To get the most out of your Daily 10X membership and make big money in small stocks, it's vital to understand one key idea...

It's vital that you understand how Babe Ruth became one of the greatest baseball players of all time.

I know that might sound odd.

After all, playing baseball is a lot different than trading stocks.

But trust me... knowing Ruth's secret could help you make hundreds of thousands, even millions, of dollars in the stock market.

Here's why...

Babe Ruth is considered one of the greatest baseball players of all time. Over his career, he collected 2,873 base hits. He was a seven-time World Series champion. He hit an incredible 714 home runs, a league record at the time.

However, Babe Ruth was also known as the "King of Strikeouts."

Ruth led his league in strikeouts five times.

When he retired, he was the all-time leader in strikeouts.

In other words, Ruth failed a lot.

Because of his aggressive style, Ruth would often either hit a huge home run or strike out. His home runs could win games instantly. The opposing team could spend hours painstakingly building up a lead... only to see a Ruth home run destroy it in seconds.

In other words, when Ruth achieved success at the plate, the success was often HUGE.

Ruth was fine with a few failures because he knew his successes would more than make up for them.

This aggressive style helped Ruth become one of the most productive, most successful baseball players in history.

To achieve success in the stock market, you need the Babe Ruth mindset...

You must make your wins large and impactful... and your losses small and insignificant.

People like Babe Ruth have used the “home run” mindset to achieve extraordinary success for centuries. Entrepreneurs have used it to make billions. Professional gamblers have used it to clean out casinos. Top traders have used it to generate 100%+ annual returns.

Top performers fail as often as anyone. But top performers ensure their failures are small and limited... while their successes are huge and impactful.

Why is the “home run” mindset so important to your trading success?

Because it allows you to maximize your wins while minimizing your losses.

You’re not going to achieve success on 100% your trades, and that’s fine.

You probably won’t achieve success 75% of the time, that that’s fine too.

Heck, if you adopt the “home run” mindset I’m about to describe, you can make huge stock market profits even if you’re right the same amount as someone betting heads on a coin flip (50%).

It all comes down to the Keep Losses Small (KLS) bet management system...

The Secret Behind the World’s Biggest Trading Fortune

Over the past 60 years, George Soros has made more than \$20 billion by trading the stock, bond, currency, and commodity markets.

Twenty billion is a big number.

If someone makes \$2 million in the market, they are considered extremely successful.

George has made more than 10,000 times that.

Whatever your thoughts on Soros’ political views, there’s no denying Soros is likely the greatest trader of all time.

Soros is a master of knowing how government actions will affect markets. He’s exceptional at finding industries poised to enter big uptrends. But there’s a simple money management strategy that’s more responsible for Soros’ success than any of those things....

Soros once summed up the strategy like this:

"It's not whether you're right or wrong that's important, but how much money you make when you're right and how much you lose when you're wrong."

Now... think back to Babe Ruth's strategy.

Babe didn't focus on how often he succeeded. He focused on making his successes huge and impactful... and making sure his mistakes were insignificant.

Like Ruth, Soros knows that his winning percentage is relatively insignificant.

It's much, much more important to make a lot of money when you're right... and lose just a little bit of money when you're wrong.

When you make sure to win a lot when you're right, but lose a little when you are wrong, you can be right just half the time... and still make huge profits in stock market.

Some simple math shows us how it works...

The Power of Keep Losses Small (KLS) Bet Management

To get an idea of how powerful this strategy can be, consider a hypothetical stock trading scenario...

On March 1st, you buy ten different stocks. You hold them for six months.

The return of these ten stocks after the six-month holding period months is listed below.

1. 30%
2. -80%
3. -86%
4. 50%
5. -95%
6. 235%
7. 80%
8. -99%
9. -90%
10. 55%

You bought ten different stocks.

Five went up. Five went down.

The total percentage gain of the winners is 450%.

The total percentage loss of the losers is -450%.

If you purchased those 10 stocks and held them through thick and thin, you'd end up flat.

You wouldn't lose money... but you wouldn't make money.

Now... let's use that same set of stocks and apply a "Keep Losses Small (KLS)" bet management strategy.

Let's say you sell any stock if it declines 25% from your purchase price. Here are the results:

1. 30%
2. -25%
3. -25%
4. 50%
5. -25%
6. 235%
7. 80%
8. -25%
9. -25%
10. 55%

Again... you went long ten different stocks.

Five went up. Five went down.

But you aggressively closed the bets if they declined 25% below your entry price.

Because of this, your winners totaled 450% and your losers totaled just -125%.

This works out to total percentage gain of 325%, or an average win of 32.5% across the ten positions.

Because you hit a few big winners (#6, 235% and #7, 80%) and aggressively cut your losers, you made an excellent average return of 32.5%.

And you made this excellent return *while being right just 50% of the time.*

This is the power of winning a lot when you are right, and losing just a little when you are wrong.

The Pro's Edge: Smart Money Management

There's a common myth amongst amateur stock traders...

Many traders think if they can just hit upon the right stock picking strategy, they'll easily get rich.

They are always looking for the "magic formula" of stock picking.

Don't get me wrong... a good stock picking strategy is valuable.

But it's not nearly as valuable as smart position sizing and smart exit strategies - which are often bundled together and referred to as "money management."

The best source of proof I can give you is contained in the classic trading books *Market Wizards* and *The New Market Wizards*.

These books are "bibles" of trading wisdom.

The "Wizards" books are collections of interviews with the world's top traders and investors.

The traders interviewed come from all walks of life... and they trade in all kinds of markets.

One of the most frequent things cited in the books is how risk management techniques like position sizing and smart exits are far, far more important than entry strategies like this or that stock picking method.

The world's greatest traders all point out that you can have an excellent entry strategy that gets you into lots of winning trades, but if you don't use smart position sizing and smart exits, you can still blow up your account by placing big chunks of money into losing trades... and then refusing to exit if they go against you.

Remember, any trading method is going to produce losses.

What's truly important is how you handle those losses.

We recommend you handle your losses the right way. By cutting your losers short and riding your winners for big gains, you'll make sure to win a lot when you are right, and lose a little when you are wrong.

Smart money management is 100 times more important to your success than any stock picking method

How Pros Buy Small Cap Stocks

By Luke Lango

The small cap market gives rise to many stocks that soar hundreds – even thousands of percent – in short time frames.

But buying your stake in these potential winners isn't like buying a stake in a giant company like Google or Apple or Home Depot.

There's a right way to buy your stake in a small cap and a wrong way to buy your stake in a small cap.

This essay will show you the right way.

Remember, a \$500 million small cap stock is just one-tenth of one percent of a \$500 billion large cap stock. It's much, much easier for a young, \$500-million small cap to grow 10-fold than it is for a mature \$500-billion giant to grow 10-fold.

Because these companies are so small, they typically have limited trading liquidity.

A company like Home Depot trades millions of shares on a typical trading day. Some small caps trade less than a thousand shares on a typical trading day. A large amount of buying or selling in a small cap can make the shares swing wildly in value.

That's why it's critically important to buy your small cap positions like a professional... and use limit orders.

Here's how limit orders work...

When you place a "limit order" with your stock broker, you say that you'll pay a certain price per shares and not a penny more.

For example, you might tell your broker that you'll buy 200 shares of a stock up to \$12.30 per share... but no higher. In this case, \$12.30 per share is your "limit."

A limit order is in contrast to a "market order."

When you place a "market order" with your broker, you're saying that you'll pay any price for the stock that the market gives you.

In small stocks with limited liquidity, market insiders can see your market order, jack the share price up, and sell you shares at inflated prices. Market pros often call this "ripping someone's face off."

If an investor puts a "market" order in for a thinly-traded stock which tells the market he'll buy at any price, he can end up paying anywhere from 10% - 100% too much for his stake.

But by entering a "limit" order - which tells the market he'll *only* buy shares up to a certain price - the skilled investor gets the price he wants.

To succeed in small cap stocks, you must be willing to use limit orders and buy like a pro.

Where Stocks That Can Return 100-Fold Live

By Luke Lango

On Wall Street, companies are often grouped and labeled according to their size.

Investors typically place a company in one of three size categories: Large caps, Mid-caps, and Small caps.

"Cap" is short for "market capitalization." This is the term used to describe the value of a public company. The group names are common sense. Large caps are large. Small caps are small. Mid-caps are in between.

For example, the popular software company Microsoft is a large cap. In 2018, its market cap was around \$700 billion. Or, take iPhone maker Apple. It's also a large cap. In 2018, its market cap was around \$850 billion.

Mid-caps are smaller than large caps. Typically, companies with market caps in between \$2 billion and \$10 billion are said to be mid-caps.

The difference between a large cap and a mid-cap can be huge. A mid-cap company worth \$5 billion is less than 1% of the size of giant Microsoft.

Finally, we have small caps. These are companies with market caps under \$2 billion.

While the difference between a mid-cap and a large cap can be huge, the difference between a small cap and a large cap can be incredible.

For example, take a small cap with a market value of \$500 million.

This is just 10% of a mid-cap with a market value of \$5 billion... *which means it is less than one tenth of one percent the size of a large cap like Microsoft.*

Large caps can be good investments. They are typically stable, established, profitable companies. They often pay dividends. Large caps can be great investments for conservative investors.

But if you're interested in making 10, 20, even 50 times your money (or 734 times your money like in Netflix) in a single investment, you'd be smart to look at small cap stocks.

Small companies have much greater potential to produce giant returns for their shareholders in a short time than any other kind of company.

The reason small caps can generate giant gains in a relatively short time is simple...

It's much, much easier for a young, \$500-million small cap to grow 10-fold than it is for a mature \$500-billion giant to grow 10-fold. The small cap is operating from a much smaller base... and the giant's "super growth" days are behind it.

Just realize...

*When a small \$100 million market value beverage company creates a hit product that generates an additional \$200 million in sales, it's a huge deal that can make the company's stock rise by hundreds of percent.

However, if beverage giant Coca-Cola finds a way to generate an additional \$200 million in sales, it barely registers on its massive income statement.

*When a small \$100 million restaurant company with 40 locations expands to 200 more locations, its market value can soar.

But if mega-chain Starbucks adds 200 new locations to its already impressive 14,000+ locations, it's a blip on the company's balance sheet.

*When a small \$100 software company creates an amazing new way to collect, manage, and analyze important information like health care data, financial data, or marketing data, it can increase revenue by over \$1 billion and its stock can soar 10-fold.

However, if giant Microsoft adds \$1 billion to its \$100 billion+ annual revenue, it's a drop in the bucket that won't even make the news.

To be clear, giant companies are not necessarily bad investments. But they are not ideal investment for someone looking to make giant returns in a relatively short period of time.

Remember, a \$500 million small cap is just one-tenth of one percent of a \$500 billion large cap.

That's why a search for stocks with huge growth potential should start in the small cap stock world. This is where companies with the potential to grow 10, 20, 50, (even 734) times larger live.

But it gets even better for small cap investors. There's another tremendous benefit small cap investors enjoy that large cap investors do not.

I believe this benefit is best explained with the story of an Easter egg hunt.

The Story of the Easter Egg Hunt

Picture this...

It's Easter time and you're ready for the neighborhood Easter egg hunt.

Over 100 eggs have been hidden in a small, local park. Each egg has a treat inside it. You're told that one special egg even has a cash prize in it.

If you're in this hunt, which of the two following scenarios would you rather be in?

Scenario A: In addition to you hunting for eggs in the park, there are 1,000 other people hunting for eggs. It's a madhouse.

Scenario B: In addition to you hunting for eggs in the park, there are just 10 other people hunting for eggs.

If you're like most reasonable people, you picked B.

You'd rather have this:



Than this:



You'd rather have just 10 people in competition with you... instead of 1,000 other people picking over the park's opportunities like a swarm of locusts.

What does this have to do with investing?

Well, this same dynamic is at work in the stock market every day.

The financial market is where millions of people go to pick through opportunities in stocks, commodities, currencies, options, bonds, and real estate.

In this big market, everyone is looking to buy assets for less than what they are worth and looking to sell assets for more than what they are worth.

Essentially, everyone is trying to outsmart everyone else.

Everyone is looking for eggs.

The financial markets price most assets correctly most of the time.

However, it's not a perfect system. Windows of opportunity – where you can buy assets for less than what they are worth or sell assets for more than what they are worth – appear from time to time.

These are the opportunities that can make us big money.

However, the more people studying, monitoring, and picking over a market and its opportunities, the more competition you'll have in that market... and the less likely you'll be able to find market inefficiencies.

The more people picking over a market, the smaller its pricing inefficiencies will be and the shorter its windows of opportunities will be open.

In the financial markets, the biggest competitors are "institutional investors."

Institutional investors are the elephants of the financial markets. This group includes mutual funds, pension funds, hedge funds, and insurance funds. It also includes sovereign wealth funds, which manage the savings of entire countries.

A single large institutional investor can manage over \$10 billion in assets. So, even a wealthy individual with \$5 million in assets is a mouse compared to this elephant (in this case, the elephant is 2,000 times larger).

Some institutional investors manage much more than \$10 billion.

The sovereign wealth fund of Norway – which has been fattened by oil revenue for years – was over \$1 trillion in 2017.

This is 100 times bigger than the large institution with \$10 billion to invest.

In other words, the large institutional investors of the world have a ridiculously large amount of money to invest in stocks and bonds and other assets.

These large institutional investors typically employ armies of investment analysts that spend hundreds of thousands of hours every year scouring the world for opportunities.

These analysts perform a lot of old fashioned "financial detective" work of visiting public companies and interviewing industry experts, but they also use the world's most advanced computer algorithms and "Big Data" analytical programs. The programs run 24-hours a day, 7 days a week... sifting all of the world's financial data a thousand different ways at warp speed... hunting for pricing inefficiencies, small and large.

Picture the Easter Egg hunt again... and realize that in your quest to find great investments, you are in a brutally competitive Easter Egg hunt.

That's the bad news.

The good news is, the financial market is a big, diverse place.

And there are Easter Egg hunts the big guys can't participate in.

The Problem of Size

In the investment world, professional investors obsess over "liquidity."

When it comes to buying and selling investments, liquidity is how easy or difficult it is to transact in a security.

For example, take Facebook stock. Since Facebook is one of the world's largest companies (worth over \$500 billion in 2018), and since many people like to buy and sell the stock, we can say Facebook stock is "very liquid" or "has huge liquidity."

There is a large market for Facebook stock where people execute many buys and sells each day. In 2018, it was not uncommon to see over 20 million shares of Facebook change hands in a day.

On the other side of the spectrum, take an unknown small cap firm with a market cap of just \$50 million (less than one-tenth of one-percent of Facebook). Since this company is tiny by stock market standards, and since most people have never heard of it, the unknown small cap company's stock won't have much liquidity.

Now here's where it gets interesting...

Let's say you manage a \$10 billion stock portfolio.

For a stock position to make a meaningful positive impact on your fund's results, you need it to represent at least 3% of your fund's assets.

Most good fund managers would rather put 4% – 8% of their fund into a stock idea they believe is truly great.

If you're looking to put 3% of \$10 billion to work in a great idea, that means you are looking to place \$300 million.

That is six times more money than a \$50 million small cap.

Even if you wanted to put just 1% of your fund into a stock, that is \$100 million.

Big money managers can't join in the small cap stock Easter Egg hunt. They simply can't place a meaningful amount of their funds in small companies.

When you “play” in small markets with modest liquidity, you don’t take on the world’s richest, most powerful institutions armed with armies of top flight analysts and the world’s best computers.

Instead of competing against thousands of other Easter egg hunters, you compete against modest amounts of them. In some backwaters of the financial market’s river system, you barely compete against anyone.

This is very, very good for you, the individual investor. The less people picking over a market, the larger its pricing inefficiencies will be and the longer its windows of opportunities will be open.

Less Competition is Better

An example from the real estate world can help drive home our point...

Say you’re a real estate investor looking to buy homes you can fix up and rent. A key factor in your profitability is the price you pay for your homes. You need to buy bargains.

Since this is the case, you’d much rather see just five other real estate investors in your town instead of 100 other real estate investors. You’d rather have less competition in the search for bargains.

As competition in a bargain hunt increases, the size of bargains and the frequency of bargains decreases.

Or, let’s go to the world of retail for another example of this phenomenon at work...

Let’s say one of your favorite clothing stores is having a summer clearance sale. It’s slashing prices by 50% to 75%.

When you arrive at the store, would you rather see five other people inside looking for bargains or 100 other people?

It’s a no brainer.

You’d rather have less competition in your hunt for clothing bargains.

Success in the stock market is all about getting the odds in your favor. The more you can tilt the odds in your favor, the more successful you will be.

Hunting in smaller, less liquid markets – like the small cap market for example – is one of the absolute best ways to do that.

Picks and Shovels: The Safe, Sure Way to Profit from Industry Booms

By Luke Lango

Every decade, there's a "gold rush" somewhere in the world... an industry boom that creates incredible wealth and excitement.

During these booms, people from all corners of the world compete against each other to get rich.

In the 1870s, there was a gold rush in the new business of building railroads.

In the 1920s, it was in the new, exciting radio industry.

In the 1990s, the gold rush was the Internet.

In the 1850s, however, there was the actual California "gold rush." One man's unique story during that time reveals a great secret of getting rich during an industry boom.

The secret?

Selling picks and shovels.

After gold was discovered in California at place called Sutter's Mill, tens of thousands of people from all over the world made their way to California. They risked everything they had on dreams of getting rich.

Most found no gold and lost everything.

Rather than take the "all or nothing" route of looking for a big gold strike, a clever German immigrant sold basic goods to the miners. This was a much safer, surer way to acquire wealth than trying to find the one big strike.

The immigrant eventually started producing a new type of durable pants to sell to the miners. They became a huge hit... and the German immigrant got rich.

His name was Levi Strauss.

Levi didn't risk it all on trying to find the big strike, he just sold the stuff everyone else needed to try to find the next big strike themselves.

This concept - selling picks and shovels instead of risking everything on one big strike - is an extremely powerful wealth building concept.

Two modern day stories help drive this point home...

The first story is Cisco, which was one of the ultimate "picks and shovels" investment plays of the Internet revolution.

Rather than try to pick which website companies were going to be successful, an investor could have just bought Cisco instead.

Cisco made the routers and switches - what some folks called the "plumbing" - required to build the Internet... and the stock climbed more than 9,500% from its IPO in 1992 to the 2000 bubble peak.

Remember... during this time, thousands of companies tried to become the Internet's "next big thing." A handful made it. Most did not. Cisco just sold the "picks and shovels" to build the Internet and soared. It was the surer bet. It was the "sleep at night" bet.

Now, let's take the story of Core Laboratories.

Back in 2003, if investors believed that crude oil was set for a big price rise, they had a handful of different investment options to choose from. They could buy speculative futures contracts... they could buy a small oil company exploring for oil in some remote jungle... or they could have bought shares in Core Laboratories.

Core Laboratories used specialized technology to analyze oil and gas deposits. Core helped oil companies decide where to drill in order to find big deposits and helped them manage those deposits once they were found.

Core did no drilling or exploration of its own. It was paid by lots of different market participants who were doing lots of drilling and exploration.

As oil prices climbed from \$30 per barrel in 2003 to \$100 per barrel in 2008, Core's customers had more money to spend on exploration. Core's revenues surged... and

the stock went from \$5 per share to \$60 per share... a gain in market value of 1,100%.

Core was a pure “picks and shovels” play on the oil boom.

Rather than take on the risk of owning shares in a company looking for oil in just a handful of places, a Core Laboratories investor could sleep soundly. They knew the company was collecting a steady stream of money from a huge number of oil companies.

Most people don't realize it, but there are “picks and shovels” investments in nearly every industry.

Take farming for example...

In 2006, corn and soybean prices entered a big bull move that took both crops more than 200% higher. Emerging markets like China started growing richer and consuming more livestock... which resulted in increased demand for grain to feed the livestock.

Rather than going out and buying a farm... or going into the futures market to buy corn and soybeans, an investor could have bought shares in fertilizer producers like Potash and Mosaic. These two companies produce and sell the vital fertilizers farmers slather on their fields to increase crop yields.

As crop prices climbed and farm incomes rose, demand for fertilizers increased. Potash shares gained 600% during the boom... Mosaic gained 900%.

Again, we see huge returns were made in companies that sold vital tools, products, and services used by an industry in a big upswing.

Investing in picks and shovels isn't without risk. There are two major ones.

One is company-specific risk. The managers of your picks and shovels provider could make bad decisions that reduce their competitive edge.

This is where you have to do a great deal of research and know the playing field... or pay a knowledgeable industry expert to do it for you.

The second risk is that when a sector or a commodity booms, it's eventually followed by a bust.

Many “picks and shovels” ideas should not be viewed as long-term investments. They should be viewed more as trades that can last for two, three, even five years.

For example, even the best “picks and shovels” plays in the oil industry will get hammered if oil declines by 50%. Even the best crop fertilizer producers will suffer badly if corn and soybeans enter a long-term bear market. You must be ready to sell these businesses if their sector is about to turn lower.

We’re not criticizing the strategy of buying riskier “one shot” exploration or production plays. You can make terrific returns by owning the “one shot” companies.

But owning a great “picks and shovels” stock can be a conservative way to make hundreds of percent returns... and should be a valuable part of any small cap investor’s toolbox.